NAVAL POSTGRADUATE SCHOOL

MONTEREY, CALIFORNIA

MBA PROFESSIONAL REPORT

Analysis of Separation Pay Options

By: Damian K. Viltz

June 2004

Advisors: William Gates,
John E. Mutty

Approved for public release; distribution is unlimited.

THIS PAGE INTENTIONALLY LEFT BLANK

REPORT DOCUMENTATION PAGE	Form Approved OMB No. 0704-0188

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.

1. AGENCY USE ONLY *(Leave blank)*	2. REPORT DATE June 2004	3. REPORT TYPE AND DATES COVERED MBA Professional Report

4. TITLE AND SUBTITLE: Analysis of Separation Pay Options	5. FUNDING NUMBERS
6. AUTHOR(S) Damian K. Viltz	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School Monterey, CA 93943-5000	8. PERFORMING ORGANIZATION REPORT NUMBER
9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES) N/A	10. SPONSORING / MONITORING AGENCY REPORT NUMBER

11. SUPPLEMENTARY NOTES The views expressed in this report are those of the author(s) and do not reflect the official policy or position of the Department of Defense or the U.S. Government.

12a. DISTRIBUTION / AVAILABILITY STATEMENT Approved for public release; distribution is unlimited	12b. DISTRIBUTION CODE

13. ABSTRACT (maximum 200 words)

As the demand for and supply of skills in the Navy changes, the Navy needs the flexibility to shape the force as appropriate. This flexibility may include the need to reduce the number of personnel in some subspecialties. The question the Navy faces is how to shape the force in the most efficient means possible. This project analyzes the costs and benefits of various options for voluntarily separating members from the Navy. Drawing on recent market design research, it tests alternative force shaping policies and recommends a mechanism that can increase force shaping flexibility and efficiency.

14. SUBJECT TERMS separation pay, drawdown, VSI, SSB, TERA	15. NUMBER OF PAGES 103
	16. PRICE CODE

17. SECURITY CLASSIFICATION OF REPORT	18. SECURITY CLASSIFICATION OF THIS PAGE	19. SECURITY CLASSIFICATION OF ABSTRACT	20. LIMITATION OF ABSTRACT
Unclassified	Unclassified	Unclassified	UL

NSN 7540-01-280-5500

Standard Form 298 (Rev. 2-89)
Prescribed by ANSI Std. 239-18

THIS PAGE INTENTIONALLY LEFT BLANK

Approved for public release; distribution is unlimited

ANALYSIS OF SEPARATION PAY OPTIONS

Damian K. Viltz, Lieutenant, United States Navy
B.S., Prairie View A&M University, 1998

Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF BUSINESS ADMINISTRATION

from the

NAVAL POSTGRADUATE SCHOOL
June 2004

Author: _____
Damian K. Viltz

Approved by: _____
William Gates, Lead Advisor

_____
John E. Mutty, Support Advisor

_____
Douglas A. Brook, Dean
Graduate School of Business and Public Policy

THIS PAGE INTENTIONALLY LEFT BLANK

ANALYSIS OF SEPARATION PAY OPTIONS

ABSTRACT

As the demand for and supply of skills in the Navy changes, the Navy needs the flexibility to shape the force as appropriate. This flexibility may include the need to reduce the number of personnel in some subspecialties. The question the Navy faces is how to shape the force in the most efficient means possible. This project analyzes the costs and benefits of various options for voluntarily separating members from the Navy. Drawing on recent market design research, it tests alternative force shaping policies and recommends a mechanism that can increase force shaping flexibility and efficiency.

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

I. INTRODUCTION 1
- A. PURPOSE 1
- B. NEED FOR SEPARATIONS 2
  - 1. Historical Need 2
  - 2. Present Need 5
- C. THESIS OBJECTIVES 5
- D. RESEARCH QUESTIONS 6
- E. SCOPE OF THESIS 6
- F. ORGANIZATION OF STUDY 6

II. BACKGROUND 9
- A. HISTORICAL LOOK AT SEPARATIONS 9
  - 1. Involuntary Programs 11
  - 2. Force Shaping Programs 11
    - *a. ENCORE 11*
    - *b. High Year Tenure 11*
    - *c. Selective Early Retirement 12*
    - *d. Perform to Serve 13*
- B. DESIRED CRITERIA OF SEPARATION PROGRAMS 13
- C. CRITERIA AFFECTING INDIVIDUAL DECISIONS 14
  - 1. Financial Compensation 14
  - 2. Benefits 15
  - 3. Non-financial Considerations 15
- D. SEPARATION PAY PROGRAMS 15
  - 1. VSI/SSB 15
    - *a. Background 15*
    - *b. Eligibility 16*
    - *c. Benefits 17*
    - *d. Implementation/Results 19*
  - 2. TERA 20
    - *a. Background 20*
    - *b. Benefits 21*
    - *c. Implementation 21*
- E. VOLUNTARY SEPARATION COSTS 22
- F. SUMMARY 23

III. RETIREMENT PLANS 25
- A. RETIREMENT STRUCTURE 25
  - 1. Final Pay Plan 25
  - 2. High Three Plan 25
  - 3. CSB/REDUX Plan 26
    - *a. Advantages 26*

b. Disadvantages *27*
B. REDUX VS. HIGH THREE 28
C. RETIREMENT PLAN CHOICE 29

IV. METHODOLOGY 31
A. DESCRIPTION OF DATA 31
B. EXPLANATION OF CALCULATIONS 32
C. VSI FINANCIAL ANALYSIS 33
1. FY 1992 VSI Takers 33
a. Assumptions *33*
b. Calculations *33*
2. FY 1993 VSI Takers 34
a. Assumptions *34*
b. Calculations *34*
3. FY 1994 VSI Takers 35
a. Assumptions *35*
b. Calculations *35*
4. FY 1995 VSI Takers 36
a. Assumptions *36*
b. Calculations *36*
5. FY 1996 VSI Takers 37
a. Assumptions *37*
b. Calculations *37*
6. FY 1997 VSI Takers 38
a. Assumptions *38*
b. Calculations *38*
D. SSB FINANCIAL ANALYSIS 39
1. FY 1992 SSB Takers 39
a. Assumptions *39*
b. Calculations *39*
2. FY 1993 SSB Takers 40
a. Assumptions *40*
b. Calculations *40*
3. FY 1994 SSB Takers 41
a. Assumptions *41*
b. Calculations *41*
4. FY 1995 SSB Takers 42
a. Assumptions *42*
b. Calculations *42*
5. FY 1996 SSB Takers 43
a. Assumptions *43*
b. Calculations *43*
6. FY 1997 SSB Takers 44
a. Assumptions *44*
b. Calculations *44*
E. TERA FINANCIAL ANALYSIS 45

1. FY 1992 TERA Takers 45
a. Assumptions *45*
b. Calculations *45*
2. FY 1993 TERA Takers 46
a. Assumptions *46*
b. Calculations *46*
3. FY 1994 TERA Takers 46
a. Assumptions *47*
b. Calculations *47*
4. FY 1995 TERA Takers 47
a. Assumptions *48*
b. Calculations *48*
5. FY 1996 TERA Takers 48
a. Assumptions *49*
b. Calculations *49*
6. FY 1997 TERA Takers 49
a. Assumptions *50*
b. Calculations *50*

V. CONCLUSIONS AND RECOMMENDATIONS 51
A. CONCLUSIONS 51
B. RECOMMENDATIONS 54

APPENDIX A – DOD PAYTABLES 55

APPENDIX B – DOD LIFE EXPECTANCY TABLE 71

APPENDIX C – TERA ACTUARIAL TABLE 75

APPENDIX D – CHAPTER IV CALCULATIONS AND FORMULAS SPREADSHEET 79

LIST OF REFERENCES 85

INITIAL DISTRIBUTION LIST 87

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF FIGURES

Figure 1. DOD Manpower Totals.....9
Figure 2. Officer Separations at 20 YOS 32
Figure 3. Enlisted Separations at 20 YOS.....32
Figure 4. Likelihood of Staying for 20 Years [From Ref 17] 53

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF TABLES

Table 1. High Year Tenure Adjustments by Paygrade (FY 93-43 and 02-03) 12
Table 2. VSI Versus SSB Benefits.....17
Table 3. TERA Retirement Calculation Table [From: Ref. 15].....22
Table 4. FY 1990 – 1997 Separation Pay 23
Table 5. Original REDUX vs. High Three Multiplier [From: Ref. DoD financial mgmt software] 29
Table 6. FY 92 VSI Takers 31
Table 7. FY 93 VSI Takers 34
Table 8. FY 94 VSI Takers 35
Table 9. FY 95 VSI Takers 36
Table 10. FY 96 VSI Takers 37
Table 11. FY 97 VSI Takers 38
Table 12. FY 92 SSB Takers 39
Table 13. FY 93 SSB Takers 40
Table 14. FY 94 SSB Takers 41
Table 15. FY 95 SSB Takers 42
Table 16. FY 96 SSB Takers 43
Table 17. FY 97 SSB Takers 44
Table 18. FY 92 TERA Takers 45
Table 19. FY 93 TERA Takers 45
Table 20. FY 94 TERA Takers 46
Table 21. FY 95 TERA Takers 47
Table 22. FY 96 TERA Takers 48
Table 23. FY 97 TERA Takers 49
Table 24. FY 92 VSI Range.....51
Table 25. FY 92 SSB Range 51
Table 26. FY 94 TERA Range.....52
Table 27. Manpower Reductions 52

THIS PAGE INTENTIONALLY LEFT BLANK

I. INTRODUCTION

A. PURPOSE

The planned size and structure of the Navy has changed several times over the last 20 years, largely as a result of the end of the Cold War. During the Cold War years of the 1980s, the Reagan Administration planned a Navy of about 600 ships, including 15 aircraft carriers, 242 surface combatants, and 100 nuclear-powered attack submarines. In the initial post-Cold War years of 1991-1992, the former Bush Administration, as part of its "Base Force" plan for future U.S. military forces, planned a Navy of more than 400 ships, including 12 aircraft carriers, about 145 surface combatants, and 80 attack submarines (later adjusted to about 55 attack submarines). The Clinton Administration, as part of its 1993 Bottom-Up Review (BUR) of U.S. military forces, planned a Navy of 346 ships, including 12 carriers (11 operational carriers and 1 operational/reserve training carrier), about 124 surface combatants, and 45 to 55 attack submarines. Following the 1997 Quadrennial Defense Review, the Clinton Administration planned a Navy of about 305 ships, including 12 carriers, 116 surface combatants, and 50 attack submarines.

After years of struggling to attract recruits and retain sailors, the Navy now has the opposite problem: too many people. In December 2003, almost 400 junior officers, including recent graduates of the Naval Academy, were told that their services were no longer needed. The get-tough approach to reduce the ranks also has affected senior enlisted sailors, who are finding themselves pushed into early retirement if they don't advance fast enough [Ref. 1].

The Department of Defense (DOD) has used separations as the primary tool in reducing the number of personnel in the military when the actual size of the force has outgrown the perceived needs of the military. This is often the result of the geo-political situation, and can also be the result of changes in the U.S. economy. The three key tasks of force sizing are [Ref. 2: p. 2]:

- determination of force levels needed to achieve objectives with some knowledge of the likelihood of success or risk of failure;

- assessment of how the force is to be postured within the proposed military strategy;
- demonstrating the validity of the determinations of force levels and their planned use to key congressional committees and the public.

There are two aims of separations. The first aim is to shape the force to meet the nation's needs. The other aim is to reduce the economic burdens that a large military places on the resources of a state. Separations have met the overarching goal of shaping the force, specifically at the mid-career level. A closer analysis is necessary to discover how effective separations have been from a financial perspective.

The purpose of this thesis is to determine the effectiveness of past separation pay programs. Specifically, the research focuses on the purpose of the specific programs, the methodology of each program, and evaluates the costs and time to reach a desired end state. The results of this study should be of benefit to Navy manpower and budget planners as the Navy prepares to reduce manning levels. Furthermore, the results should illustrate which programs or components of past programs were most efficient in achieving the Navy's goals, and help to develop force-shaping tools of the future.

B. NEED FOR SEPARATIONS

1. Historical Need

Few, if any, organizational structures have had as much experience with downsizing as the United States military. Downsizing, or demobilization, has been a familiar aspect of national security policy over nearly the past century and a half [Ref. 3:pp. 221-232]. Military leaders must develop practices of force reduction, survive dramatically reduced budgets, and cope with the subsequent demands of very rapid organizational growth.

Expansion and contraction have been two of the defining characteristics of military policy. A historic case in point followed World War II. Within a two-year period, 1945 to 1947, personnel were reduced from 12 million to just over 1.5 million. The basic combat division structure was effectively eliminated rather than maintained at lower levels of staffing and diminished readiness (which would have allowed for

reactivation at some later point). At the war's end there were 91 Army and six Marine divisions; by 1947 there were ten Army and two Marine divisions, all of reduced strength. Similarly, there were sharp reductions in the other services–for the Navy, from 8,165 to 1,003 ships; for the Air Force, from 218 to 38 groups [Ref. 4:p. 75].

The late 1980s and the 1990s comprised a period of unprecedented rapid and fundamental change. Although the end of the Cold War in 1989 and the breakup of the Soviet Union in 1991 are factors that led to force reductions, these events were not the leading factors. The DOD started downsizing in 1987. Troop reductions came about due to the growing pressure to hold defense spending in check. This led two services, the Army and the Air Force, to begin downsizing moderately and internally in 1987. One of the first groups targeted was commissioned service members, in response to congressional attention directed at what the legislative body perceived as a bloated officer corps. The Marine Corps began to grow smaller in 1988. The Navy did not start declining in number until 1990. Its delay in carrying out personnel cuts was due to the fact that it had been pursuing a major program to build up to a fleet of 600 ships. In the late 1980s, the service still did not have the sailors it needed to crew a fleet of that size [Ref. 5:p. 1].

Historically, conscription was used to increase the size of the force as needed. During this period, large-scale force reductions occurred following the conclusion of a war or major conflict. Following the conflict, when the large force was no longer needed, reducing the number of personnel drafted shaped the force, and by releasing those drafted who wished to return home. These methods of reducing end strength could not work in the era of the all-volunteer force (AVF).

The task of separating personnel is made even more difficult when separating members of an AVF. The AVF and the associated set of personnel and compensation policies implemented to make it succeed made the force reduction in the early 1990s different and more difficult than previous major military drawdowns. Policies were developed to attract and retain high quality personnel. These policies included high levels of compensation, substantial reenlistment bonuses, and higher educational opportunities. Ironically, the success of these policies could result in the need for further

reductions. The AVF consists of individuals who have voluntarily chosen military service by enlisting, many of whom have planned for long military careers coupled with military retirement.

Military manpower planners must focus their attention on developing a separation program that includes a set of compensation incentives particularly suited for the AVF. These programs should reach end strength goals while being equitable, fiscally prudent, and taking into account the career expectations of the personnel who voluntarily enlisted.

Separation programs must be evaluated for a range of criteria that include not only the usual cost and efficiency concerns but also considerations of equitable treatment for those staying and those leaving under alternative compensation plans, namely, involuntary separation and normal retirement. Consistency should exist within these approaches. That is, compensation for involuntary separation should not be greater than that for voluntary departure. The plan must also take account of the potential for hasty or unwise decisions by military personnel and the possibility of later regret by those who accept lump-sum payments. Lastly, an important part of cost considerations is the fact that reasonably structured separation offers will result in significant net present value savings to the government from avoidance of future retirement costs. Thus, any plan must contain provisions for recognizing these long-term savings within the DOD budget and the Congressional/Administration budget [Ref. 6:p. xiv].

Draft-era force reduction methods did not equitably consider career expectations. While cutting accessions may seem like an easy quick solution to the problem, it is not feasible. Cutting accessions to draw the size of the military down, causes cyclical changes in the experience level of those who remain in service. This can lead to having to assign a senior person to a job that is below his/her skill level. Also, as these senior personnel retire, they are being replaced by junior personnel that may not have attained the experience or skill needed to perform in their new roles. This cyclical change in experience could have a negative result on readiness. These additional restraints imposed on military planners force the need to develop new programs.

After looking at the task ahead of them, military leaders realized that it would be very hard to develop a program that would meet all of the constraints while satisfying the number of people that need to leave the service. In an effort to effectively deal with the constraints, military leaders developed several plans to shape the force. All of the programs conformed to the constraints; however, the incentives included in the different programs appealed to different members. By varying the incentives among the programs, military leaders hoped to entice personnel at different points in their careers, with different skill and experience levels, to leave the service.

2. Present Need

The Navy views "people" as its biggest expense. Of the Navy's approximately $119 billion budget for 2005, about $37 billion goes to personnel costs, and $35 billion to operations and maintenance. To meet growing demands for U.S. maritime presence around the world and adequately support the war-fighting regional commanders, the Navy says it needs more ships, but fewer sailors. The desired expansion of the fleet—from 292 to about 375 ships—would be financed largely with cutbacks in personnel.

Although the Defense Department has not endorsed the Navy's 375-ship goal, the expectation is that the Pentagon would not object, if the Navy paid for the additional ships with internal savings, without seeking significantly larger shipbuilding budgets. Those internal savings only can be attained, officials said, by reducing the number of people in the Navy. The Navy plans to reduce the rolls by 7,900 active duty personnel in fiscal year 2005, with a year-end goal of 365,900 [Ref. 7].

C. THESIS OBJECTIVES

This research analyzes the costs and benefits of various options for voluntarily separating members from the Navy. The first part of this research will describe the historical experience with Voluntary Separation Incentive (VSI), Special Separation Bonus (SSB), Temporary Early Retirement Authority (TERA), and involuntary separation pay. Drawing on this background, alternative separation pay options that draw on recent market design research are proposed.

D. RESEARCH QUESTIONS

The questions that must be answered in order to reach the desired objectives are:

- How effective have the past separation pay programs been in achieving the end strength goals?
- Have the costs associated with the past programs outweighed the benefits?
- Does the need for separation pay programs still exist?
- Will the separation pay programs of the past work today?
- Is there a need to develop new separation pay programs?

E. SCOPE OF THESIS

In analyzing the various separation programs, data from the period that the programs existed are used. When comparing programs from different time periods, current year dollars are used. The data that are used will quantify the programs. The goal of this thesis is not a qualitative analysis of specific programs. I am not interested in why certain individuals chose one program over another. This research will focus primarily on the financial impact of separation programs. The results of this research should provide insight into the efficiency and effectiveness of past programs and help planners to develop programs that will meet future needs.

F. ORGANIZATION OF STUDY

Chapter I provides a basis for the study by outlining the scope and methodology for conducting the analysis to answer the research questions.

Chapter II provides a detailed view of past separation programs. A history of past force shaping programs is included. This chapter explains the situation that led to the need for separations in a specific time frame, the goal of the program, and the benefits associated with that program. Also, unique characteristics of each program are explained in detail.

Chapter III gives an overview of the current retirement system. An understanding of this system is important because it is the benchmark to which all of the separation programs in this thesis are compared.

Chapter IV presents the information that was gathered through research on the different separation programs. An extensive analysis of each program's structure and methods was conducted. This analysis explains how specific programs attempted to meet the needs of the military while working within the relevant constraints. The results were used to determine overall effectiveness of the program.

Chapter V contains a qualitative analysis of the data that were presented in Chapter IV. All of the research questions are answered and conclusions based on the data are drawn. Recommendations for future programs are also given.

THIS PAGE INTENTIONALLY LEFT BLANK

II. BACKGROUND

A. HISTORICAL LOOK AT SEPARATIONS

Military doctrine, force requirements and threat scenarios are the major contributing factors that determine the size of the military force. Major global events that change the U.S. security environment affect the balance between the contributing factors and force size. Such events may change or make obsolete threat scenarios, leading to modifications in force requirements and military doctrine.

For forty years the principal threat to the U.S. never changed. There were cyclical changes of human resources and war materiel focused against that threat over the decades. The Reagan buildup of American military forces in the 1980s represented the last quantitative high point in DOD in terms of human resources and materiel. In reviewing what transpired during the last wave of downsizing, it is important to note the size of the force in 1987 (see Fig. 1).

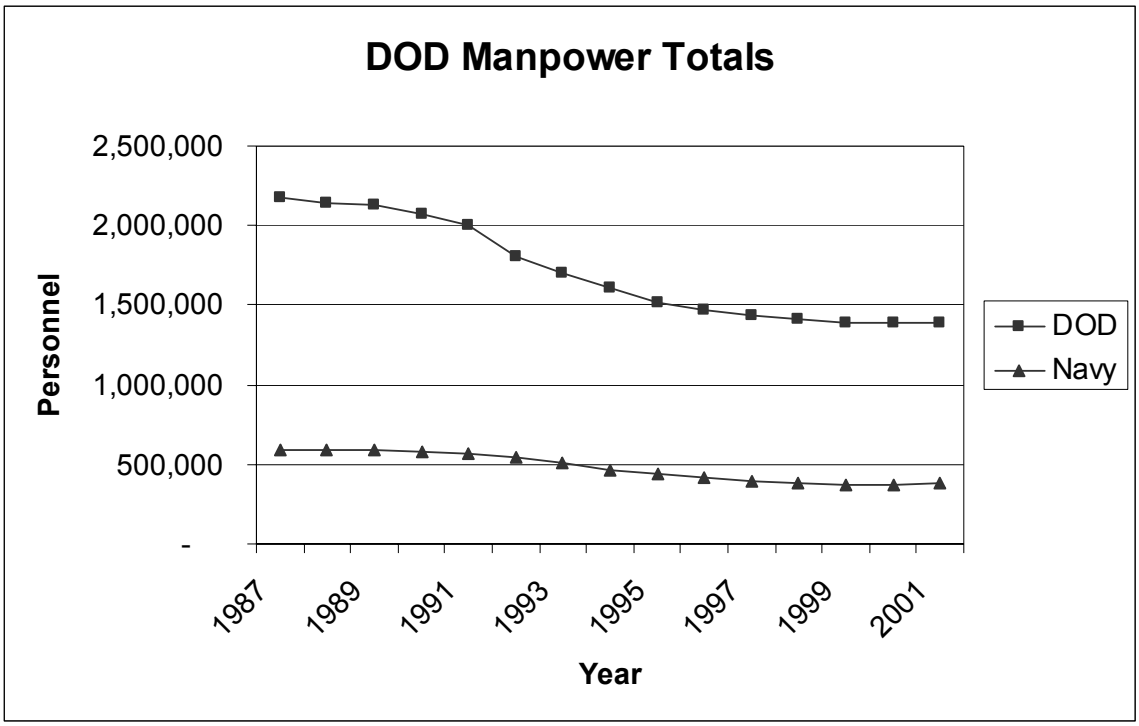

Figure 1. DOD Manpower Totals

This provides a starting point for the analysis. The year 1987 was not only the peak of the Reagan expansion, but it also saw the initial signs of an impending decline in military resources [Ref. 5:p. 5].

The Navy was composed of 586,841 sailors in 1987. Although this was the largest number of active-duty since 1972, the post-Vietnam peak would not be reached until two years later. In 1989 the Navy would top out at 592,652 [Ref. 8:p. 17]. Force projection units consisted of 14 aircraft carriers in 1987. There were 3 battle ships, 36 cruisers, 69 destroyers and 115 frigates in the fleet. Attack submarines numbered 102. That year the Navy owned 752 fighter/attack platforms organized into 67 squadrons [Ref. 9].

One of the major undertakings during the Reagan buildup was the development of a 600-ship Navy. The year 1987 would find the Navy at its closest point to becoming the 600-ship sea service that had been a DOD goal. The total of active ships reached 594 that year. Although the members of congress were well aware the Navy needed more commissioned personnel to fill positions in the new ships being built for the 600-ship fleet, they took a long hard look at the size of the officer corps. The service was compelled to involuntarily transfer 100 officers to inactive duty in September 1987. This was part of its effort to stay within an officer ceiling of 72,051 for the end of the fiscal year.

The 1991 Defense Authorization Act was a result of Congressional pressure to reduce defense spending coupled with the collapse of the Soviet Union and a diminished need for a large standing military force. This act directed DOD to reduce active duty strength by 400,000 by FY 1995, a 25% reduction. To maintain a balanced force, reductions would have to come from every experience level, including career personnel not yet vested in the military retirement system, which "cliff vests" at twenty years of service. Military personnel must have at least twenty years of service to be eligible for retirement. Those personnel who exit the service before accruing twenty years of service are not eligible for retirement pay and/or benefits. Congress also directed that involuntary separations of career members be minimized.

1. Involuntary Programs

Involuntary separations can easily meet any numerical end strength. The major drawbacks to large-scale involuntary separations are:

1. devastating effects on the morale of remaining members;
2. increased future recruiting challenges; and
3. negative public perceptions, especially if senior personnel are adversely affected.

Additionally, large-scale involuntary separations are against congressional mandate. The monetary separation payments granted to personnel who involuntarily separate under honorable conditions do little to minimize these effects. These programs fall short of providing equitable compensation for the loss of pension benefits for the majority of individuals [Ref. 10:p. 5]. Involuntary separations become harder to accept as career oriented personnel get closer to retirement.

2. Force Shaping Programs

a. ENCORE

The Enlisted Navy Career Objectives for Reenlistment (ENCORE) program was an effective force-shaping tool. This program focused specifically on first term personnel. ENCORE offered personnel the opportunity to convert to under populated ratings or occupations. Those personnel who did not want to convert were separated. The program was successful at filling historically undermanned ratings. Another benefit of this program was that it increased promotion opportunities for those who transferred to new ratings, and those who were in the transferees' previous rating.

b. High Year Tenure

The Navy has been successful in recruiting and retention efforts. An unintended consequence of this success has been that the force has come close to the maximum end strength allowed by law. This validates the need for force shaping tools. One such tool is mandatory High Year Tenure (HYT). HYT precludes stagnation within the pay grades, ensures upward mobility for advancement, and provides for "force-

freshening". HYT identifies the maximum number of years that enlisted members of a certain pay grade may remain in the service prior to mandatory separation. HYT limits were adjusted in 1994 to reflect the need to downsize the force. The limits have been adjusted as necessary over the years to shape the force, and were last changed in July 2002.

Fiscal Year	HYT Years by Paygrade					
	E-4	E-5	E-6	E-7	E-8	E-9
1993	10	20	23	26	28	30
1994	10	20	20	24	26	30
2002	12	20	22	24	26	30
2003	10	20	20	24	26	30

Table 1. High Year Tenure Adjustments by Paygrade (FY 93-43 and 02-03)

c. Selective Early Retirement

Selective Early Retirement (SER) boards have also been used to influence retention behavior. SER is an involuntary program that targets retirement eligible officers. A regular active-duty officer may be considered for selective early retirement by a selection board if the officer is described in any of the following subparagraphs:

- An officer holding the regular grade of commander who has failed to select for promotion to the grade of captain two or more times and whose name is not on a list of officers recommended for promotion.
- An officer holding the regular grade of captain who has served at least four years of active duty in that grade and whose name is not on a list of officers recommended for promotion.
- An officer holding the regular grade of rear admiral (lower half) who has served at least three and one-half years of active duty in that grade and whose name is not on a list of officers recommended for promotion.
- An officer holding the regular grade of rear admiral who has served at least three and one-half years of active duty in that grade.

A selection board will convene, and may recommend anyone who meets the above criteria for early retirement [Ref. 11:].

d. Perform to Serve

Perform to Serve (PTS) was implemented in March 2003. The program is designed to identify first-term enlisted personnel in overmanned ratings, and encourage them to transfer to undermanned ratings. Personnel should provide three rating choices (for which they qualify) to maximize their career opportunities. Additionally, the conversion process is streamlined by removing requirements to submit a separate conversion package. In order to broaden qualification for rating entry and maximize sailor choice, Armed Service Vocational Aptitude Battery (ASVAB) retesting is encouraged. The difference between ENCORE and PTS is that ENCORE was a downsizing tool, and PTS is a force-shaping tool.

B. DESIRED CRITERIA OF SEPARATION PROGRAMS

Separation programs should be designed with a pre-defined end state. That end state is usually a hard number. With that in mind, these programs are, by design, temporary. Once the end state is met, the program either goes away, or remains on the books for later use. This end state needs to be clearly defined and articulated so that there is no ambiguity involved.

Once the need to reduce the force has been identified, the individual services must be granted the authority to specify occupation and grade levels of those eligible for voluntary separations. It is better for the services to identify criteria for personnel, because a "cookie cutter" approach will not be all things for all services. One branch may have a disproportionately large population in one particular occupation. If just that occupation were targeted by all services, then the end goal would not be met. Thus, the services need the authority to ensure that quality and skill mix of personnel leaving is controlled. This authority, along with the clearly defined end state, will enable the services to prevent the exodus of large numbers of highly qualified personnel, or those who have high replacement costs.

To maintain appropriate future experience profiles in the force, the military services need to achieve separations by years of service (YOS) in certain ratings. These numerical targets by YOS are another component in designing separation offers. The

military services must maintain a highly ready and capable force during and after the drawdown and must target voluntary separation offers so that they maintain the desired mix of occupational experience and higher-quality service members.

Another approach to reaching end strength numbers is to target occupational specialties. Other things equal, occupations with lower training costs should be targeted more heavily than those with higher training costs. By the same reasoning, occupations with longer curves to achieve high levels of proficiency should be targeted less heavily than those with shorter learning curves.

The main driving factor behind force reductions is financial resources. Thus, the end goal for force reductions is to save money. Ideally, the present value of the offers should not exceed the present value of the expected retirement annuities and benefits. If the present value of the expected retirement annuities and benefits exceeds the present value of the offer, then the plan is not fiscally responsible, and should not be implemented. The amount of the offer need only be high enough to produce the desired number of separations. A very lucrative offer would cause too many personnel to want to separate. Since they all would not be able to separate, morale would suffer. An offer that is too low would not achieve the desired goals.

C. CRITERIA AFFECTING INDIVIDUAL DECISIONS

1. Financial Compensation

All individuals targeted must decide between accepting a separation offer and continuing in the military with some expectation of reaching retirement. A key factor involved in making this decision is comparing the present value of the income streams generated by each choice. This decision is complicated because there are many unknowns associated with each choice. When considering if they should remain in service, the member must consider the following:

- The service member does not know if and when promotion will occur.
- The service member does not know if HYT will change.

- Bonuses and incentive pays that may currently exist are not guaranteed to be available in the future.

When considering if they should leave the service, the following items should be theorized:

- How long will it take to find employment?
- Does the service member possess the training, background, or education necessary to find a job that will pay at least as much as they are currently making?
- What is the likelihood of being laid off?
- What are the requirements for retirement?
- What are the retirement benefits?

2. Benefits

Benefits are an important part of the military compensation and retirement package. Different people value benefits differently. Generally, younger service members without dependants, value benefits less than older members with dependants.

3. Non-financial Considerations

A price tag cannot be put on all benefits. Some members join the military out of patriotism, or because it is a family tradition. It is very hard to quantify the call to duty that motivates some service members. The sense of patriotism, though shared by many, varies from member to member. Consequently, A more generous financial package would be needed for some to seriously consider voluntarily separating.

D. SEPARATION PAY PROGRAMS

1. VSI/SSB

a. Background

In July of 1991, DOD submitted a bill to congress requesting authorization for the Voluntary Separation Incentive (VSI). DOD's proposal would have allowed separating members that did not want to receive their separation benefits in annuity form

to sell their annuities in the private market [Ref. 12:p. 35]. Congress refused to approve this bill as written and an impasse prevailed for several months. Congress later added a provision in the FY 1992 Defense Authorization Act allowing separating members to take a lump sum payment for involuntary separation in lieu of the annuity proposed by DOD. This lump sum option was titled Selective Separation Benefit (SSB). Personnel who took the lump sum were also to receive all other separation benefits available to involuntary separating members. The act also adopted DOD's VSI proposal along with DOD's conditions relating to other benefits available to VSI recipients.

b. Eligibility

The VSI and SSB programs became effective on January 1, 1992. Eligibility requirements are described below.

1. Member has served on active duty for more than 6 years before December 5, 1991 and has completed his initial term of enlistment or initial period of obligated service prior to separation;
2. Member has served at least 5 years of continuous active duty immediately preceding the date of separation;
3. Upon separation, member is not immediately eligible for retired or retainer pay based on military service;
4. Member is serving on active duty, or, if a reservist, is on the active duty list; and
5. Member fulfills any other criteria, as established by the individual services, such as years of service, skill or rating, grade or rank and remaining period of obligated service [Ref. 13:pp. 6-59, 6-60].

Service members who met all of the eligibility requirements could voluntarily request separation under the VSI or SSB programs. Eligibility did not guarantee approval. Applications could be rejected if readiness became an issue. Service members who were approved had to separate from the military before Congressional authority for the September 30, 1995 program expiration date.

c. Benefits

Service members who were approved to separate under the VSI program were paid an amount equal to 2.5 percent of their final monthly basic pay, multiplied by 12 and multiplied again by the number of years of service. Thus the formula for the annual payment is as follows:

Annual VSI Payment = 2.5% *x* final monthly basic pay *x* 12 months *x* YOS

Service members who were approved to separate under the SSB were paid a lump sum equal to 15 percent of their final monthly basic pay, multiplied by 12 and multiplied again by the number of years of service. Thus the formula for the lump sum is as follows:

Lump Sum Payment = 15% *x* final monthly basic pay *x* 12 months *x* YOS

Approved VSI service members were paid in annual installments commencing on their departure from active duty, and on each anniversary date thereafter. The total number of payments equals twice the number YOS, provided the member continued to serve in the Naval Reserve for the duration of the payments. Table 2 compares cash benefits of the two programs.

Grade	YOS	VSI			SSB
		Amount	Years	Total	Amount
E5	7	$ 2,776	14	$ 38,864	$ 16,655
E5	10	$ 4,290	20	$ 85,800	$ 25,742
E6	12	$ 5,925	24	$ 142,200	$ 35,549
E6	14	$ 7,129	28	$ 199,612	$ 42,774
E7	15	$ 8,536	30	$ 256,080	$ 51,216
O3	7	$ 5,785	14	$ 80,990	$ 34,709
O3	9	$ 7,703	18	$ 138,654	$ 46,219
O4	12	$ 12,001	24	$ 288,024	$ 72,006
O4	14	$ 14,640	28	$ 409,920	$ 87,840

Table 2. VSI Versus SSB Benefits[1]

[1] Calculations based on FY 1992 Basic Pay Schedule

A list of non-financial benefits is included below[2] [Ref. 14]:

- Pre-separation Counseling (spouse also eligible)
- Development of Transition Plan (spouse also eligible)
- Career Change Counseling (spouse also eligible)
- Transition health care for 120 days after separation
- 18 months pre-existing condition coverage if using DOD sponsored health insurance
- Unlimited Commissary, Exchange, and Morale, Welfare & Recreation (MWR) privileges for 2 years after separation for service member and family
- 1-year free furniture storage
- Verification of Military Training and Experience Document (DD Form 2586)
- Application for the Evaluation of Military Learning Experiences (DD Form 295)
- Participation in Departments of Labor and Veteran's Affairs Transition Workshops (TAP&DTAP) (spouse also eligible)
- Enrollment in the Defense Outplacement Referral System (DORS) and Public and Community Service (PACS) (spouse also eligible)
- Use of the Transition Bulletin Board (TBB) (spouse also eligible)
- Other Employment Assistance Programs (spouse also eligible)
- One time employment preference for Non-appropriated Fund (NAF) positions (spouse also eligible)
- Relocation assistance (spouse also eligible)
- Financial Planning Assistance (available to spouse as appropriate)
- Unemployment Compensation (eligibility varies by state)
- Use of America's Job Bank (spouse also eligible)
- Veteran's Benefits
- Increased household goods storage
- Home of Selection move
- 180 day extension in Military Family housing on a space available basis

[2] Originally, the VSI plan included no transitional benefits. This was changed in a later revision.

- Montgomery GI Bill Enrollment or VEAP Conversion
- Troops to Teacher Program
- Priority in affiliation with Guard and Reserve

  Service member may request up to 30 days Excess leave or Permissive TDY but not both

d. Implementation/Results

Members who were entitled to VSI payments and who subsequently received basic pay, compensation for inactive duty training, or disability compensation forfeited an equal amount of the VSI pay. Members entitled to receive VSI pay that subsequently qualified for retired pay or retainer pay faced a deduction of retired or retainer pay equal to the VSI received. VSI annual payments were discontinued if the member separated from the Naval Reserve, unless one of the two following conditions was met:

1. In the event of the service member's death, full VSI annual payments continued to the service member's beneficiaries;
2. In the event that the service member became ineligible to continue to serve in the Naval Reserve due to medical reasons, age, failure to select for promotion, or other reasons determined to be no fault of the member concerned, the member was transferred to the Standby Reserves or the Retired reserve of the Naval Reserve. The service member continued to receive annual VSI payments for the remaining authorized period.

Service members who were approved for SSB entered into a written agreement with the Secretary of the Navy to serve in the Naval Reserve for a period of not less than three years following their separation from active duty. If the service member had a service obligation that was not completed at the time that the member separated from active duty, the 3-year obligation began on the day after the original service obligation.

Regular enlisted members eligible for SSB submitted their requests for separation under this program before the expiration of their term of enlistment or, upon discharge, entered into a written agreement not to request reenlistment in a regular component. Members of the Navy, other than regular members, who were eligible for SSB had to submit their requests for separation under this program before the expiration of their term of active service.

2. TERA

a. Background

In the National Defense Authorization Act for Fiscal Year 1992, Congress enacted the Temporary Early Retirement Act (TERA), which permitted selected military members to retire early and accrue additional military retirements credits if they gained employment with qualifying public or community service organizations. More specifically, the TERA measure contained the following provisions:

- Section 4403(a) gave each of the Armed Services the 'temporary early retirement authority' (TERA), to offer retirement at 15 years to 20 years of service.
- Section 4403(c) added the caveat that those members accepting early retirement had to register under Section 4462(a). Completing a DD Form 2580 at the time of retirement does this. Section 4403(c) states that retirees will receive information about Public and Community Services (PACS) job opportunities.
- Section 4464(a) provides that a Service member electing early retirement may accrue additional retirement credit if employed in public or community service between the time of retirement and the time the retiree would have attained 20 years of military service. The early retiree will have his or her military retired pay increased at age 62.
- Section 4462(c) states that the public or community service organization employing the retiree must be designated a qualifying organization and be on the Department of Defense's Public and Community Service Organization Registry.

The Defense Manpower Data Center (DMDC) under the banner of Operation Transition maintains this registry [Ref. 15].

b. Benefits

An early retirement entitles the individual to all of the normal retirement benefits of a person retiring with twenty or more years, except that retirement pay is reduced.

c. Implementation

The law provides that TERA retirees accrue military retirement credit during their "enhanced retirement qualification period" if they are employed in public or community service. In other words, TERA retirees have the opportunity of accumulating additional YOS, although not in military uniform and, at age 62, having their military retirement pay increased accordingly.

The TERA retiree can accrue additional retirement credit only during the enhanced retirement qualification period. Specifically, this period is from the date of retirement to the date on which the retiree would have attained 20 years of creditable service for the purposes of computing retired pay.

Creditable service is a combination of several key elements of military service. The building blocks of retired pay and length of service calculations are:

- total years, months, and days of active service
- years of service for base pay - a combination of active and inactive service
- years of service for retirement - based on active service
- the reduction factor applied to early retirees - based on active service
- the service percent multiplier, based on active and inactive service ("Section 1405 time"), used to determine when a retiree would have attained twenty years.

Because the service percent multiplier combines these types of service into years, months, and days, the addition of "Section 1405 time" can create an enhanced retirement qualification ending date that is different than an ending date based solely on total active service. In "Section 1405 time" cases, the multiplier calculation to fix the

ending date will preclude an early retiree from reaching a full twenty years of active service by earning additional time working in public service.

For example, an individual with a retirement date of January 1, 1995, with 15 years 6 months and 10 days of total active service, and no other service time, has 15 years for retirement eligibility and 15 years for retired pay. His enhanced retirement qualification period (ERQP) is 4 years 5 months and 20 days. In this example, his service percent multiplier is 150610, and is used to calculate his twenty year date: a calendar date 4 years 5 months and 20 days following the date of his military retirement. Should this retiree work in public service from the date of his retirement to his twenty-year date, he will achieve full retirement with no reduction factor at age 62 (see Table 3) [Ref. 15].

Total active service	Years	Months	Days
20 years for calculations	19	11	30
minus early retirement from actice service	15	6	10
equals ERQP	4	5	20
plus retirement date	1995	1	1
equals twenty year date	1999	6	21

Table 3. TERA Retirement Calculation Table [From: Ref. 15]

E. VOLUNTARY SEPARATION COSTS

The costs of separating offers will be a major determinant of their desirability and use by the services. There are several cost issues. First, accepted separation offers often replace future retirement payments and thus reduce the future military retirement liability. Any reasonable plan for early separation will result in net government savings. However; the separation outlays will probably occur before the savings from reduced retirement expenditures are realized.

Separation payments in the form of annuities will have less immediate budgetary effects than lump-sum payments. The line items that compose the DODs separation pay account are as follows:

- terminal leave pay;

- lump-sum readjustment pay;
- donations;
- severance pay, disability;
- severance pay, non-promotion;
- severance pay, involuntary half (5 percent);
- severance pay, involuntary full (10 percent);
- severance pay, voluntary separation incentive;
- severance pay, special separation benefits; and,
- severance pay, 15-year retirement.

Table 4 summarizes the Navy's total separation pay in FY 1990-97 (millions of $).

	1990	1991	1992	1993	1994	1995	1996	1997
Amount	$ 150	$ 194	$ 331	$ 407	$ 405	$ 329	$ 317	$ 192
Share of DOD total	27.40%	25.50%	11.90%	15.50%	27.20%	20.40%	25.60%	20.20%

Table 4. FY 1990 – 1997 Separation Pay

F. SUMMARY

In FY 1992 4,527 sailors separated or retired as a result of Force Reduction programs. Those taking SSB totaled 3,555. Navy personnel opting for the VSI numbered 622. Until the summer, the two early separation programs were only offered to enlisted personnel in skills that were excessively manned. Officers were not eligible for SSB or VSI until later.

THIS PAGE INTENTIONALLY LEFT BLANK

III. RETIREMENT PLANS

A. RETIREMENT STRUCTURE

A Navy or Marine Corps member is considered to be a retired member for classification purposes if he or she is an enlisted member, or a warrant or commissioned officer with over 30 years service. Enlisted Navy and Marine Corps members with less than 30 years service are transferred to the Fleet Reserve/Fleet Marine Corps Reserve and their pay is referred to as "retainer pay". When a Navy or Marine Corps member completes 30 years, including time on the retired rolls in receipt of retainer pay, the Fleet Reserve status is changed to retired status. There are actually three different retirement systems currently in effect, depending on the service member's date of initial entry into military service (DIEMS). Retired pay amounts are determined by multiplying the service factor (normally referred to as the "multiplier") by the active duty base pay at the time of retirement.

1. Final Pay Plan

The "Final Pay" plan was the original post-WWII military retirement plan that passed with the Military Reform Act of 1936. The "Final Pay" plan applies to anyone initially entering the military prior to September 8, 1980. Individuals receive a multiplier of their monthly base pay, 50% (0.50) if they retire at 20 years of service. The percentage increases at a rate of 2.5% per year for each year over 20 that an individual remains on active duty up to 30 years; this means a retiree would get 75% of base pay after 30 years of service. All military retirees receive an automatic annual cost of living increase each year equal to the consumer price index (CPI).

2. High Three Plan

The "High-Three" modification to the "Final Pay" plan applies to anyone who initially came on active duty on or after September 8, 1980. Furthermore, those who came on active duty on or before July 31, 1986 are covered only by this plan; they do not have the option of choosing the Career Service Bonus that will be discussed later. Most service members currently at or approaching retirement eligibility are covered by the "High Three" retirement plan. The only change from the final pay plan is that retirement

pay is based on the individual's high three average pay instead of final pay. This represents a light-to moderate reduction in total retirement benefits, depending on the individual's circumstances.

3. CSB/REDUX Plan

"REDUX" was originally passed as part of the Military Retirement Reform Act of 1986. It applied to anyone entering active duty on or after August 1, 1986. The REDUX retirement system and Career Status Bonus (CSB) is a package deal. Those who elect this option receive a $30,000 bonus, but must remain on active duty until 20 years or pay back a portion of the bonus (20% for each year prior to 20 that they fail to complete). Additionally, those who elect this option have their multiplier reduced to 40% at twenty years of service. The bonus is fully taxable; for members in the 15% tax bracket, this means they will net $25,500 if they take the bonus in cash. Most military members (those above E-6, or most with working spouses) are in the 27% bracket, leaving a net of $21,900.

This choice is a one time, binding decision, to be made between the 14½ and 15-year point. Each member who entered service on or after August 1, 1986 will receive a notification on this matter at approximately his or her 14½ year point. They then have the opportunity to make the CSB/REDUX election. They can make this election at any time within those 6 months after being notified or up to the day they hit 15 years, whichever is later. If they change their minds, they can withdraw the request. However, on the day they hit 15 years, the decision becomes binding, and they are locked in for life. If they chose REDUX, they will be paid the $30,000 CSB "no later than the first month that begins on or after the day that is 60 days after the date the election is effective."

a. Advantages

There is an advantage in taking the Career Service Bonus – immediate cash, to use in any manner the service member wishes. This could be for an investment, for seed capital to start a second career business, for education, or (less wisely) to repay debts or even to purchase a new car. Each of these opportunities has limitations.

- The best potential use for the bonus would be for investment. However, the bonus money would have to be invested relatively aggressively to even come

close to providing the difference in retirement pay. Most reputable financial planners will use between 10% and 11% as the maximum long-term growth rate that can be expected from a diversified all-stock portfolio for even an experienced investor. Higher returns can be achieved only by taking on a level of risk that is well above average. Even at 11%, most retirees with less than 25 years on active duty will come up short under the "REDUX plus Bonus" plan [Ref. 17].

- Some individuals may wish to use the bonus to pay for education expenses for themselves, their spouses, or their children. In most cases, there is a possibility of scholarships; if loans are needed, there may be many better, lower cost alternatives.
- Debt repayment: Some service members may have a large amount of consumer debt at an unattractive interest rate. Even here, however, there are usually better options, ones that do not involve mortgaging the family's long-term future.
- Finally, despite the best of intentions, there will always be a strong temptation to spend at least part of the bonus. This would probably represent the least wise use of the bonus money.

b. Disadvantages

There are also substantial disadvantages to taking the CSB. The main disadvantage is a major, permanent reduction in retired pay. This also means a reduction in survivor benefits for a surviving spouse. Perhaps the greatest risk is the risk that an individual may spend some, most, or even the entire bonus, leaving very little to show for it. The best way to look at the CSB may not be as a bonus, but rather as a loan - a relatively high interest loan against future military retirement, to be repaid out of each and every retired check for the remainder of member's lifetime.

REDUX was originally passed as part of the Military Retirement Reform Act of 1986. It applied to anyone entering active duty on or after August 1, 1986. There were some significant, and very negative, changes made. First, the multiplier was reduced for anyone retiring with less than 30 years of service; it was cut to 40% for those retiring at 20. The multiplier is increased at 3.5% for each additional year of service; the

longer a service member stays in, the smaller the overall reduction under this plan. The second big change was that all annual cost of living raises are based on the consumer price index (CPI) minus 1% each year, instead of a full cost of living adjustment (COLA).

Effective October 1, 1999, the Military Retirement Act of 1986 (REDUX) was repealed by the National Defense Authorization Act of 1999. The major change under this act was a restoration, for military service members who entered military service after July 31, 1986, of the 50% of the high three years average basic pay for 20 years of active duty service, rather than 40% under REDUX. Also, it provided for full COLA rather than the Consumer Price Index (CPI) minus one percentage point under REDUX. Additionally, these service members have the alternative or option of receiving a $30,000 retention bonus in return for remaining under REDUX and serve on active duty for a period of 20 years.

B. REDUX VS. HIGH THREE

With the "REDUX" calculation, there are two major changes from the high three plan. First is the reduced multiplier. Second, and perhaps more significant, is the cost of living reduction: 1% less per year, every year, although there is a one-time "catch up" feature. At age 62, the individual's retirement check is increased up to what he or she would have received (including full COLA increases) – for one year. After that, the 1% less-per-year feature starts again. All this represents a significant reduction in benefits – up to a 25% loss (over $250,000 in lifetime retired pay) for anyone retiring with between 20 and 22 years of service. Table 5 depicts the multipliers associated with High 3 and REDUX.

Years of Service	Multiplier %	
	High 3	REDUX
20	50	40
21	52.5	43.5
22	55	47
23	57.5	50.5
24	60	54
25	62.5	57.5
26	65	61
27	67.5	64.5
28	70	68
29	72.5	71.5
30	75	75

Table 5. Original REDUX vs. High Three Multiplier [From: Ref. DoD financial mgmt software]

C. RETIREMENT PLAN CHOICE

Under provisions of the FY2000 National Defense Authorization Act, all service members who came on active duty on or after August 1, 1986 are now back under the "High Three" Retirement Plan. However, when they reach 15 years of service, they get a choice:

- They can remain under the "High Three" Plan

or

- They can elect instead to have their retired pay calculated under the newer, less generous "REDUX" formula– and, also receive a one-time, lump sum $30,000 bonus, to be paid in full (less taxes) at the 15-year point.

THIS PAGE INTENTIONALLY LEFT BLANK

IV. METHODOLOGY

A. DESCRIPTION OF DATA

The Defense Manpower Data Center (DMDC) provided the data sets used in this thesis. The data sets showed the end strength numbers for the DOD during the years that VSI, SSB, and TERA were active programs. The data set also shows how many people separated under each program. Also, the data provided the paygrade and total years of service for each person that separated under these programs. These data were used to calculate the financial savings to the DOD when compared to full retirement. The column and the row with the highest totals were used for analysis. Their point of intersection was used for calculations. For example, in FY 92, there were 2242 O3s and 881 service members with 12 YOS. As a result, O3 with 12 YOS was used for calculations (see Table 6).

	Under 5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Total
E3	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	2
E4	39	6	37	55	68	31	24	11	3	9	1	4	3	3	0	294
E5	7	4	7	19	123	196	233	324	295	264	168	96	54	23	13	1826
E6	1	0	0	1	13	64	77	108	135	181	179	126	96	48	14	1043
E7	0	0	0	1	0	1	3	7	19	30	48	64	70	59	20	322
E8	0	0	0	0	0	0	0	0	0	0	1	1	0	3	1	6
E9	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1
W2	1	0	0	0	0	2	3	4	1	3	8	10	5	0	3	40
W3	0	0	0	0	0	1	0	0	2	4	1	1	6	2	5	22
W4	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	2
O2	0	0	1	4	7	5	4	2	2	2	1	1	0	0	0	29
O3	8	29	165	178	191	317	404	362	121	122	117	79	46	41	62	2242
O4	1	0	0	0	2	0	4	63	179	251	68	56	35	15	136	810
O5	0	0	0	0	0	0	0	0	0	0	0	6	4	7	3	20
ALL	58	39	210	259	404	617	752	881	757	866	592	444	320	202	258	6659

Table 6. FY 92 VSI Takers

For the calculations in this chapter, the comparison is made between two options. The first option is to separate under the defined program. The second option is to retire at twenty years of service. According to the DOD Actuary, when retiring at twenty years of service, most officers retire at the rank of O4 (see Figure 2) and most enlisted personnel retire at the rank of E7 (see Figure 3) [Ref. 18]. This information formed the basis of the comparison. The next assumption is that the personnel who retired at twenty years of service did so under the "High Three" plan. It is reasonable to conclude that retiring personnel would choose this plan because they turned down the opportunity to leave the service under one of the separation programs. The amount of pay that personnel would

receive between the time they could separate and the time they could retire was not included in this analysis because it is assumed that the government gets equal return on this investment. Actual pay from the DOD pay tables [Appendix A] for the affected years were used in calculations except where noted. The life expectancy used is from the DOD Actuary [Appendix B].

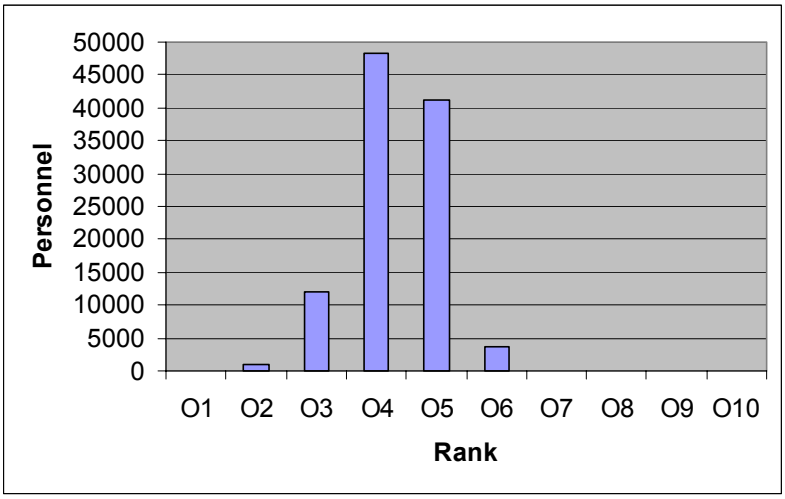

Figure 2. Officer Separations at 20 YOS

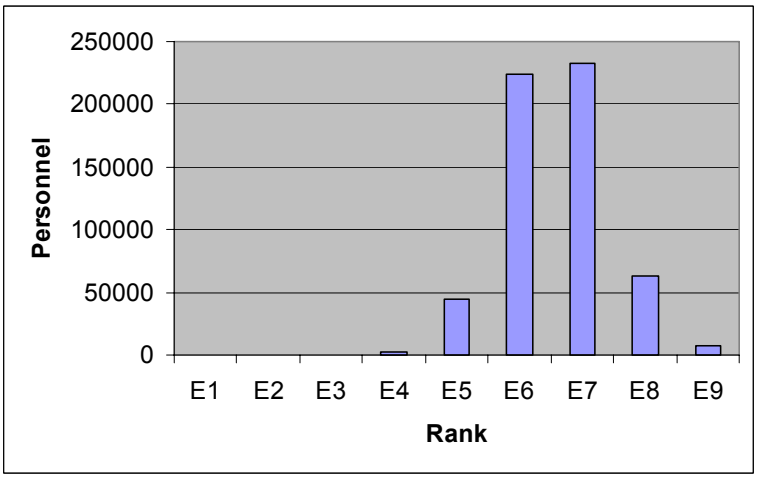

Figure 3. Enlisted Separations at 20 YOS

B. EXPLANATION OF CALCULATIONS

- Annual VSI Payment = 2.5% *x* final monthly basic pay *x* 12 months *x* YOS

- Lump Sum SSB Payment = 15% *x* final monthly basic pay *x* 12 months *x* YOS
- TERA Payment = 2 ½% *x* [1-([240-x]/1200)] *x* final pay

  where x=number of months of active service (inflation adjusted, and paid over the lifetime of the service member)
- TERA Payment (simplified) = DOD Actuary % [Appendix C] *x* final pay
- Retirement Payment = 50% of highest three years of pay (inflation adjusted, and paid over the lifetime of the service member)
- Discount rate used was based on 30-year interest rates on treasury notes and bonds [Ref. 20]
- All calculations for chapter IV are included in Appendix D

C. VSI FINANCIAL ANALYSIS

1. FY 1992 VSI Takers

a. Assumptions

- Promotion to 04 before retirement
- Retire with 20 years of service in 2000 under the "High Three" plan
- 45 years old at retirement
- 84 years old at death

b. Calculations

Calculations based on O3 with 12 YOS

VSI total	$136,339
Retirement total	$794,247
Net savings to DOD	$657,908

Net savings to DOD for all O3s with 12 YOS who left under VSI in FY 92 $238,162,669

2. FY 1993 VSI Takers

	Under 5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Total
E4	0	0	8	6	53	19	3	0	3	4	1	0	0	0	0	97
E5	1	0	6	8	114	171	203	182	138	129	33	21	16	14	7	1043
E6	0	0	0	7	30	38	39	38	63	111	76	67	37	22	50	578
E7	0	0	0	0	0	0	3	4	5	24	43	37	33	13	18	180
E8	0	0	0	0	0	0	0	0	0	0	1	1	1	4	2	9
W2	0	0	1	2	1	0	0	0	0	5	0	1	2	0	0	12
W3	0	0	0	0	1	0	0	0	0	2	2	1	0	1	0	7
O2	0	0	1	1	2	2	5	1	1	3	1	0	0	0	0	17
O3	1	5	238	275	256	384	307	255	161	115	194	245	172	35	53	2696
O4	0	1	0	2	2	6	14	66	103	86	47	53	24	17	31	452
O5	0	0	0	0	0	0	0	0	0	0	0	0	2	3	2	7
ALL	2	6	254	301	459	620	574	546	474	479	398	426	287	109	163	5098

Table 7. FY 93 VSI Takers

a. Assumptions

- Promotion to 04 before retirement
- Retire with 20 years of service in 2003 under the "High Three" plan
- 45 years old at retirement
- 84 years old at death

b. Calculations

Calculations based on O3 with 10 YOS

VSI total $93,570

Retirement total $913,972

Net savings to DOD $819,602

Net savings to DOD for all O3s with 10 YOS who left under VSI in FY 93 $314,727,030

3. FY 1994 VSI Takers

	Under 5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Total
E3	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
E4	9	1	17	11	0	1	0	0	0	0	0	0	1	0	0	40
E5	3	1	0	29	28	38	96	83	61	19	8	12	11	5	3	397
E6	11	0	0	14	23	26	42	35	44	52	77	57	50	50	33	514
E7	12	0	0	0	0	2	3	8	10	24	18	27	15	28	22	169
E8	7	0	0	0	0	0	0	0	0	0	0	5	1	9	9	31
E9	4	0	0	0	0	0	0	0	0	0	0	0	0	1	0	5
W2	2	2	1	0	1	1	1	1	2	1	1	0	0	0	0	13
W3	0	0	0	0	1	0	0	0	0	2	0	0	0	0	0	3
W4	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
O1	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	2
O2	6	1	0	0	0	0	0	0	0	1	0	1	0	0	0	9
O3	4	22	58	156	265	167	249	55	39	30	8	13	12	1	5	1084
O4	12	0	0	0	2	3	16	21	33	45	13	5	7	13	6	176
O5	11	0	0	0	0	0	0	0	0	0	0	3	3	3	6	26
O6	7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7
ALL	91	27	76	210	320	238	408	203	189	174	125	123	100	110	84	2478

Table 8. FY 94 VSI Takers

a. Assumptions

- Promotion to 04 before retirement
- Retire with 20 years of service in 2003 under the "High Three" plan
- 45 years old at retirement
- 84 years old at death

b. Calculations

Calculations based on O3 with 11 YOS

VSI total $115,724

Retirement total $859,853

Net savings to DOD $744,129

Net savings to DOD for all O3s with 11 YOS who left under VSI in FY 94 $185,288,046

4. FY 1995 VSI Takers

	Under 5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Total
E1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
E3	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	1
E4	0	0	6	11	167	123	2	5	2	2	1	0	0	0	0	319
E5	4	0	0	6	175	345	199	142	147	103	14	3	8	1	1	1148
E6	11	0	0	2	4	9	16	17	64	56	26	26	31	14	14	290
E7	4	1	0	0	0	0	2	7	5	8	5	12	17	19	9	89
E8	11	0	0	0	0	0	0	0	0	0	0	0	0	1	0	12
W2	2	0	3	1	4	2	1	1	3	2	0	0	0	0	0	19
W3	0	0	0	0	0	0	0	0	0	2	1	1	0	0	0	4
W4	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
O2	1	0	0	0	0	0	0	0	1	0	0	1	1	0	0	4
O3	19	39	129	211	287	204	284	49	32	21	2	6	4	1	11	1299
O4	11	0	0	4	1	6	8	9	20	22	8	5	3	2	4	103
O5	7	0	0	0	0	0	0	0	0	0	0	1	1	4	4	17
O6	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
ALL	73	40	138	235	639	689	512	230	274	216	57	55	65	42	43	3308

Table 9. FY 95 VSI Takers

a. Assumptions

- Promotion to 05 before retirement
- Retire with 20 years of service in 2005 under the "High Three" plan
- 45 years old at retirement
- 84 years old at death

b. Calculations

Calculations based on O3 with 10 YOS

VSI total $98,100

Retirement total[3] $914,457

Net savings to DOD $816,357

Net savings to DOD for all O3s with 10 YOS who left under VSI in FY 95 $166,536,901

[3] Retirement calculations based on 2004 pay charts

5. FY 1996 VSI Takers

	Under 5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Total
E4	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3
E5	1	0	0	0	2	5	1	2	4	2	0	0	0	0	0	17
E6	0	0	0	0	2	8	9	10	11	8	0	0	0	0	0	48
E7	3	0	0	0	0	0	1	0	1	0	0	0	0	0	0	5
W2	0	2	0	1	6	4	1	7	3	2	1	1	1	0	0	29
W3	0	0	0	0	0	0	1	0	1	1	0	0	0	0	0	3
W4	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1
O1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
O2	3	0	0	1	0	0	0	1	0	0	0	0	0	0	0	5
O3	4	6	9	14	16	105	83	24	16	15	0	1	0	1	1	295
O4	6	0	0	1	2	0	2	1	1	0	2	1	0	0	0	16
ALL	21	8	9	17	28	122	98	45	37	28	3	3	1	2	1	423

Table 10. FY 96 VSI Takers

a. Assumptions

- Promotion to 04 before retirement
- Retire with 20 years of service in 2006 under the "High Three" plan
- 45 years old at retirement
- 84 years old at death

b. Calculations

Calculations based on O3 with 10 YOS

VSI total $100,470

Retirement total[4] $944,008

Net savings to DOD $843,538

Net savings to DOD for all O3s with 10 YOS who left under VSI in FY 96 $88,571,473

[4] Ibid

6. FY 1997 VSI Takers

	Under 5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Total
E3	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2
E4	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
E6	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
E7	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1
E8	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
W2	0	1	1	3	5	1	4	6	10	3	0	1	0	0	0	35
W3	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	1
W4	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	1
O2	4	0	0	0	0	1	1	0	1	0	0	0	0	0	0	7
O3	1	7	6	4	7	125	63	17	23	13	2	3	0	1	0	272
O4	1	0	0	0	0	0	1	1	4	2	0	1	0	0	0	10
O5	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3
O6	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10
ALL	24	8	7	7	12	127	70	24	38	18	3	5	0	2	0	345

Table 11. FY 97 VSI Takers

a. Assumptions

- Promotion to 04 before retirement
- Retire with 20 years of service in 2007 under the "High Three" plan
- 45 years old at retirement
- 84 years old at death

b. Calculations

Calculations based on O3 with 10 YOS

VSI total $100,470

Retirement total[5] $857,805

Net savings to DOD $757,335

Net savings to DOD for all O3s with 10 YOS who left under VSI in FY 97 $94,666,861

[5] Ibid

D. SSB FINANCIAL ANALYSIS

1. FY 1992 SSB Takers

	Under 5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Total
E1	2	0	1	1	0	1	1	0	2	0	0	1	0	0	1	10
E3	28	0	30	16	8	5	4	4	0	0	1	0	0	0	0	96
E4	100	100	1731	2866	2581	900	527	301	82	42	45	30	14	22	6	9347
E5	38	32	134	776	3103	4282	3915	4162	3341	2131	1253	684	316	151	84	24402
E6	5	4	4	11	218	843	837	923	906	951	816	555	346	187	103	6709
E7	0	0	0	0	1	14	23	59	93	151	212	200	189	156	83	1181
E8	0	0	0	0	0	0	0	0	0	0	0	1	3	3	3	10
W2	1	3	8	11	12	18	10	10	11	16	20	9	3	6	11	149
W3	0	0	0	0	1	0	7	7	3	4	3	6	3	3	3	40
W4	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1
O1	1	0	0	0	0	1	0	0	0	0	0	0	0	0	0	2
O2	4	2	9	17	9	8	6	5	2	3	1	4	1	2	1	74
O3	6	173	528	463	331	447	441	382	116	126	88	68	49	43	63	3324
O4	0	0	1	0	0	2	4	46	108	114	43	29	15	8	58	428
O5	0	0	0	0	0	0	0	0	0	0	0	2	1	0	3	6
ALL	185	314	2446	4161	6264	6521	5775	5899	4664	3538	2482	1589	940	582	419	45779

Table 12. FY 92 SSB Takers

a. Assumptions

- Promotion to E7 before retirement
- Retire with 20 years of service in 2002 under the "High Three" plan
- 40 years old at retirement
- 80 years old at death

b. Calculations

Calculations based on E5 with 10 YOS

SSB total $25,740

Retirement total $519,076

Net savings to DOD $493,336

Net savings to DOD for all E5s with 10 YOS who left under SSB in FY 92 $2,112,463,475

2. FY 1993 SSB Takers

	Under 5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Total
E3	1	0	5	2	0	0	0	0	1	0	0	0	0	0	0	9
E4	22	13	1510	562	830	139	42	12	20	35	4	3	2	1	0	3195
E5	5	5	187	487	1915	1612	1478	990	803	551	173	93	57	53	20	8429
E6	0	0	9	160	403	330	283	386	401	338	303	195	115	42	83	3048
E7	0	0	0	0	1	2	8	18	36	81	81	78	57	41	26	429
W1	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	1
W2	3	2	5	6	8	3	12	5	9	9	5	3	4	4	0	78
W3	0	0	0	0	0	0	0	2	1	0	2	0	0	0	0	5
O2	4	0	1	7	5	2	1	2	0	2	0	0	0	0	0	24
O3	6	4	510	471	381	289	206	119	59	65	222	171	82	37	42	2664
O4	0	0	1	0	3	2	7	35	41	35	21	12	9	7	13	186
O5	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	2
O6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1
O9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1
ALL	41	24	2228	1695	3546	2379	2038	1569	1371	1116	811	555	327	185	187	18072

Table 13. FY 93 SSB Takers

a. Assumptions

- Promotion to E7 before retirement
- Retire with 20 years of service in 2004 under the "High Three" plan
- 40 years old at retirement
- 80 years old at death

b. Calculations

Calculations based on E5 with 9 YOS

SSB total $23,117

Retirement total $564,493

Net savings to DOD $541,376

Net savings to DOD for all E5s with 9 YOS who left under SSB in FY 93 $1,036,734,774

3. FY 1994 SSB Takers

	Under 5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Total
E1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
E3	1	0	2	0	0	0	0	0	0	0	0	0	0	0	0	3
E4	25	8	867	561	7	5	1	4	3	1	1	0	1	1	1	1486
E5	53	5	28	458	322	950	1224	936	735	246	70	86	78	44	20	5255
E6	38	0	2	148	205	191	188	183	165	163	166	115	90	99	80	1833
E7	29	0	0	0	1	2	5	20	53	51	42	37	42	46	49	377
E8	6	0	0	0	0	0	0	0	1	0	6	2	9	5	8	37
E9	1	0	0	0	0	0	0	0	0	0	0	0	0	0	3	4
W2	4	16	14	12	13	10	8	6	7	2	2	1	0	0	0	95
W3	1	0	0	0	0	0	0	1	0	0	0	0	0	0	0	2
W4	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2
O2	0	2	1	1	2	0	0	1	1	1	1	0	0	0	0	10
O3	5	82	155	304	369	140	148	35	24	16	11	13	5	0	2	1309
O4	13	0	0	0	2	2	8	8	14	16	9	4	4	8	3	91
O5	8	0	0	0	0	0	0	0	2	0	0	1	0	2	3	16
O6	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2
ALL	189	113	1069	1484	921	1300	1582	1194	1005	496	308	259	229	205	169	10523

Table 14. FY 94 SSB Takers

a. Assumptions

- Promotion to E7 before retirement
- Retire with 20 years of service in 2003 under the "High Three" plan
- 40 years old at retirement
- 80 years old at death

b. Calculations

Calculations based on E5 with 11 YOS

SSB total $30,017

Retirement total $505,486

Net savings to DOD $475,470

Net savings to DOD for all E5s with 11 YOS who left under SSB in FY 94 $581,974,697

4. FY 1995 SSB Takers

	Under 5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Total
E3	2	0	3	0	2	1	0	0	0	0	0	0	0	0	0	8
E4	11	11	226	174	1605	828	21	11	6	8	7	3	1	0	0	2912
E5	26	1	7	70	1527	1887	859	554	490	273	98	50	28	16	2	5888
E6	26	1	1	13	69	73	75	73	258	229	193	163	137	92	47	1450
E7	9	0	0	0	0	7	11	12	10	16	57	70	86	82	46	406
E8	7	0	0	0	0	0	0	0	0	0	0	1	2	4	4	18
W2	5	13	16	8	15	10	3	7	4	2	2	0	0	1	1	87
W4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1
O2	3	0	0	0	2	0	1	3	1	0	1	0	1	1	0	13
O3	13	150	222	288	309	138	135	31	18	16	5	6	5	1	5	1342
O4	9	1	0	0	1	7	7	3	11	4	8	5	0	2	0	58
O5	3	0	0	0	0	0	0	0	0	0	0	1	0	0	0	4
ALL	114	177	475	553	3530	2951	1112	694	798	548	371	299	260	199	106	12187

Table 15. FY 95 SSB Takers

a. Assumptions

- Promotion to E7 before retirement
- Retire with 20 years of service in 2006 under the "High Three" plan
- 40 years old at retirement
- 80 years old at death

b. Calculations

Calculations based on E5 with 9 YOS

SSB total $24,235

Retirement total[6] $544,663

Net savings to DOD $521,428

Net savings to DOD for all E5s with 9 YOS who left under SSB in FY 95 $794,693,313

[6] Ibid

5. FY 1996 SSB Takers

	Under 5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Total
E4	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	2
E5	2	1	0	0	10	36	17	16	12	3	0	0	0	0	0	97
E6	2	0	0	0	3	11	11	22	24	12	2	3	0	0	0	90
E7	1	0	0	0	0	0	0	0	2	0	0	0	0	0	0	3
W2	1	9	6	8	21	10	8	8	6	2	0	0	0	0	0	79
W3	0	0	0	0	0	2	1	0	0	0	0	1	2	0	0	6
W4	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1
O2	1	1	0	3	1	0	0	1	0	1	0	0	0	0	0	8
O3	2	23	24	21	13	97	44	12	11	9	0	1	1	1	0	259
O4	2	1	0	1	1	0	1	0	1	2	1	0	2	0	0	12
O5	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1
ALL	11	36	31	33	49	156	82	59	57	29	3	6	5	1	0	558

Table 16. FY 96 SSB Takers

a. Assumptions

- Promotion to O4 before retirement
- Retire with 20 years of service in 2006 under the "High Three" plan
- 45 years old at retirement
- 84 years old at death

b. Calculations

Calculations based on O3 with 10 YOS

SSB total $60,282

Retirement total[7] $944,008

Net savings to DOD $883,726

Net savings to DOD for all O3s with 10 YOS who left under SSB in FY 96 $85,721,406

[7] Ibid

6. FY 1997 SSB Takers

	Under 5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Total
E4	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3
E5	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1
W2	1	1	3	1	9	5	6	5	6	2	0	1	0	0	0	40
W3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1
O2	0	1	0	0	1	1	0	1	2	0	0	0	0	0	0	6
O3	1	16	26	14	18	81	43	10	17	3	2	0	1	0	0	232
O4	0	0	0	0	0	0	1	2	1	2	1	1	0	0	0	8
O5	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
O6	1	0	0	0	0	0	0	0	0	1	0	0	0	0	0	2
ALL	7	18	29	15	28	87	50	19	26	8	3	2	1	0	1	294

Table 17. FY 97 SSB Takers

a. Assumptions

- Promotion to O4 before retirement
- Retire with 20 years of service in 2007 under the "High Three" plan
- 45 years old at retirement
- 84 years old at death

b. Calculations

Calculations based on O3 with 10 YOS

SSB total $62,082

Retirement total[8] $857,805

Net savings to DOD $795,723

Net savings to DOD for all O3s with 10 YOS who left under SSB in FY 97 $64,453,554

[8] Ibid

E. TERA FINANCIAL ANALYSIS

1. FY 1992 TERA Takers

	Under 5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Total
O3	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1
ALL	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1

Table 18. FY 92 TERA Takers

a. Assumptions

- Promotion to O4 before retirement
- Retire with 20 years of service in 1995 under the "High Three" plan
- 45 years old at retirement
- 84 years old at death

b. Calculations

Calculations based on O3 with 17 YOS

TERA total $442,593

Retirement total $674,903

Net savings to DOD $232,310

Net savings to DOD for all O3s with 17 YOS who left under TERA in FY 92 $232,310

	Under 5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Total
E4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	2
E5	0	0	0	0	0	0	0	0	0	0	5	5	3	5	3	21
E6	0	0	0	0	0	0	0	0	0	0	17	22	34	24	13	110
E7	0	0	0	0	0	0	0	0	0	0	4	13	32	37	18	104
E8	0	0	0	0	0	0	0	0	0	0	0	0	0	1	5	6
W2	0	0	0	0	0	0	0	0	0	0	6	5	14	9	1	35
W3	0	0	0	0	0	0	0	0	0	0	1	1	3	4	2	11
W4	0	0	0	0	0	0	0	0	0	0	0	3	0	1	0	4
O3	0	0	0	0	0	0	0	0	0	0	30	28	30	3	0	91
O4	0	0	0	0	0	0	0	0	0	0	11	10	17	16	17	71
O5	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	2
O6	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1
ALL	0	0	0	0	0	0	0	0	0	0	74	88	134	100	62	458

Table 19. FY 93 TERA Takers

2. FY 1993 TERA Takers

a. Assumptions

- Promotion to E7 before retirement
- Retire with 20 years of service in 1996 under the "High Three" plan
- 40 years old at retirement
- 80 years old at death

b. Calculations

Calculations based on E6 with 17 YOS

TERA total $253,121

Retirement total $382,017

Net savings to DOD $128,896

Net savings to DOD for all E6s with 17 YOS who left under TERA in FY 93 $4,382,475

3. FY 1994 TERA Takers

	Under 5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Total
E1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1
E3	0	0	0	0	0	0	0	0	0	0	0	0	0	2	4	6
E4	0	0	0	0	0	0	0	0	0	0	3	5	4	14	18	44
E5	0	0	0	0	0	0	0	0	0	0	611	603	569	467	288	2538
E6	0	0	0	0	0	0	0	0	0	0	371	371	560	1074	734	3110
E7	0	0	0	0	0	0	0	0	0	0	121	171	421	773	740	2226
E8	0	0	0	0	0	0	0	0	0	0	16	30	82	124	137	389
E9	0	0	0	0	0	0	0	0	0	0	4	1	6	6	15	32
W2	0	0	0	0	0	0	0	0	0	0	3	12	30	22	16	83
W3	0	0	0	0	0	0	0	0	0	0	7	8	17	13	13	58
W4	0	0	0	0	0	0	0	0	0	0	2	3	5	3	3	16
O2	0	0	0	0	0	0	0	0	0	0	1	0	0	2	0	3
O3	0	0	0	0	0	0	0	0	0	0	77	61	72	58	50	318
O4	0	0	0	0	0	0	0	0	0	0	309	587	788	681	590	2955
O5	0	0	0	0	0	0	1	0	0	0	28	31	38	37	40	175
O6	0	0	0	0	0	0	0	0	0	0	9	5	1	7	5	27
ALL	0	0	0	0	0	0	1	0	0	0	1562	1888	2593	3283	2654	11981

Table 20. FY 94 TERA Takers

a. Assumptions

- Promotion to E7 before retirement
- Retire with 20 years of service in 1999 under the "High Three" plan
- 40 years old at retirement
- 80 years old at death

b. Calculations

Calculations based on E6 with 15 YOS

TERA total $203,558

Retirement total $393,844

Net savings to DOD $190,286

Net savings to DOD for all E6s with 15 YOS who left under TERA in FY 94 $70,596,070

4. FY 1995 TERA Takers

	Under 5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Total
E3	0	0	0	0	0	0	0	0	0	0	1	1	1	0	2	5
E4	0	0	0	0	0	0	0	0	0	0	10	6	4	5	5	30
E5	0	0	0	0	0	0	0	0	0	0	1817	574	481	347	162	3381
E6	0	0	0	0	0	0	0	0	0	0	2014	2005	2293	1997	996	9305
E7	0	0	0	0	0	0	0	0	0	0	813	1008	1320	1519	976	5636
E8	0	0	0	0	0	0	0	0	0	0	53	54	67	118	74	366
E9	0	0	0	0	0	0	0	0	0	0	6	4	0	6	4	20
W2	0	0	0	0	0	0	0	0	0	0	6	7	23	10	11	57
W3	0	0	0	0	0	0	0	0	0	0	6	5	15	6	4	36
W4	0	0	0	0	0	0	0	0	0	0	3	2	0	5	3	13
O2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1
O3	0	0	0	0	0	0	0	0	0	0	120	131	108	92	81	532
O4	0	0	0	0	0	0	0	0	0	0	407	574	379	382	179	1921
O5	0	0	0	0	0	0	0	0	0	0	45	24	41	85	69	264
O6	0	0	0	0	0	0	0	0	0	0		5	4	6	7	35

Table 21. FY 95 TERA Takers

a. Assumptions

- Promotion to E7 before retirement
- Retire with 20 years of service in 2000 under the "High Three" plan
- 40 years old at retirement
- 80 years old at death

b. Calculations

Calculations based on E6 with 15 YOS

TERA total $214,357

Retirement total $423,735

Net savings to DOD $209,378

Net savings to DOD for all E6s with 15 YOS who left under TERA in FY 95 $421,687,864

5. FY 1996 TERA Takers

	Under 5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Total
E1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	2
E4	0	0	0	0	0	0	0	0	0	0	2	1	1	2	3	9
E5	0	0	0	0	0	0	0	0	0	0	630	128	158	185	90	1191
E6	0	0	0	0	0	0	0	0	0	0	741	407	653	715	389	2905
E7	0	0	0	0	0	0	0	0	0	0	177	118	320	384	290	1289
E8	0	0	0	0	0	0	0	0	0	0	36	28	17	31	30	142
E9	0	0	0	0	0	0	0	0	0	0	17	3	4	6	3	33
W2	0	0	0	0	0	0	0	0	0	0	15	10	11	16	16	68
W3	0	0	0	0	0	0	0	0	0	0	10	9	4	3	0	26
W4	0	0	0	0	0	0	0	0	0	0	1	3	4	4	1	13
O2	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	2
O3	0	0	0	0	0	0	0	0	0	0	114	70	66	73	50	373
O4	0	0	0	0	0	0	0	0	0	0	406	605	433	205	150	1799
O5	0	0	0	0	0	0	0	0	0	0	54	33	45	88	74	294
O6	0	0	0	0	0	0	0	0	0	0	8	13	7	5	3	36
ALL	0	0	0	0	0	0	0	0	0	0	2213	1428	1723	1718	1100	8182

Table 22. FY 96 TERA Takers

a. Assumptions

- Promotion to E7 before retirement
- Retire with 20 years of service in 1999 under the "High Three" plan
- 40 years old at retirement
- 80 years old at death

b. Calculations

Calculations based on E6 with 17 YOS

TERA total $270,893

Retirement total $417,639

Net savings to DOD $146,746

Net savings to DOD for all E6s with 17 YOS who left under TERA in FY 96 $95,825,320

6. FY 1997 TERA Takers

	Under 5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Total
E4	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	2
E5	0	0	0	0	0	0	0	0	0	0	196	53	51	57	27	384
E6	0	0	0	0	0	0	0	0	0	0	416	385	344	251	132	1528
E7	0	0	0	0	0	0	0	0	0	0	190	299	284	336	196	1305
E8	0	0	0	0	0	0	0	0	0	0	38	24	12	21	27	122
E9	0	0	0	0	0	0	0	0	0	0	4	6	2	2	2	16
W1	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	2
W2	0	0	0	0	0	0	0	0	0	0	19	15	13	7	7	61
W3	0	0	0	0	0	0	0	0	0	0	10	3	5	5	2	25
W4	0	0	0	0	0	0	0	0	0	0	2	1	1	0	0	4
O2	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	2
O3	0	0	0	0	0	0	0	0	0	0	96	38	34	29	40	237
O4	0	0	0	0	0	0	0	0	0	0	243	499	471	151	102	1466
O5	0	0	0	0	0	0	0	0	0	0	23	11	26	79	45	184
O6	0	0	0	0	0	0	0	0	0	0	11	5	3	6	2	27
ALL	0	0	0	0	0	0	0	0	0	0	1252	1339	1247	945	582	5365

Table 23. FY 97 TERA Takers

a. Assumptions

- Promotion to E7 before retirement
- Retire with 20 years of service in 2001 under the "High Three" plan
- 40 years old at retirement
- 80 years old at death

b. Calculations

Calculations based on E6 with 16 YOS

TERA total	$235,437
Retirement total	$421,003
Net savings to DOD	$185,566

Net savings to DOD for all E6s with 16 YOS who left under TERA in FY 97 $71,443,002

V. CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

The calculations in Chapter IV represent the middle of the spectrum in terms of paygrade and years of service. While each case is an accurate representation of the specific year of the program, the range of savings is not evident. A look at the extremes associated with the affected paygrade and YOS will illustrate this range of savings. For VSI in 1992, the subject used for calculations was an O3 with 12 YOS. The range of YOS for all O3's that separated for that year goes from under 5 to 19. Similarly, the most junior personnel to separate in 1992 under VSI was an E4 and the most senior was an 04. The range of savings is summarized in the following tables.

	Paygrade	YOS	
Base	O3	12	$ 657,908
YOS Range	O3	5	$ 931,885
	O3	19	$ 293,289
Paygrade Range	E4	12	$ 388,946
	O4	12	$ 650,384

Table 24. FY 92 VSI Range

	Paygrade	YOS	
Base	E5	10	$ 493,336
YOS Range	E5	5	$ 556,139
	E5	19	$ 223,772
Paygrade Range	E1	10	$ 426,129
	O4	10	$ 824,582

Table 25. FY 92 SSB Range

	Paygrade	YOS	
Base	E6	15	$ 190,286
YOS Range	E6	15	$ 190,286
	E6	19	$ 93,846
Paygrade Range	E4	15	$ 345,090
	O6	15	$ 284,276

Table 26. FY 94 TERA Range

The goal for the separation programs was an end strength reduction of 400,000 personnel [Ref 5]. It took over four years in order to reach this goal (see Table 27).

Fiscal Year	Army	Navy	Marine Corps	Air Force	Total	Reduction from FY 1992	% Change from FY 1992
1992	611,305	541,921	184,590	470,315	1,808,131	-	-
1993	572,423	509,950	178,379	444,351	1,705,103	103,028	5.70%
1994	541,343	468,662	174,158	426,327	1,610,490	197,641	10.93%
1995	508,559	434,617	174,639	400,409	1,518,224	289,907	16.03%
1996	491,103	416,735	174,883	389,001	1,471,722	336,409	18.61%
1997	491,707	395,564	173,906	377,385	1,438,562	369,569	20.44%
1998	483,880	382,338	173,142	367,470	1,406,830	401,301	22.19%
1999	479,426	373,046	172,641	360,590	1,385,703	422,428	23.36%
2000	482,276	373,187	173,321	355,654	1,384,438	423,693	23.43%
2001	480,186	377,812	172,934	353,571	1,384,503	423,628	23.43%

Table 27. Manpower Reductions

In addition to trimming the force to the desired size, these programs conserved limited financial resources. The separation programs offered over 65,000 personnel eligible for separation their choice of plans. Even though the annuity option (VSI) always paid more to the separating individual, it was not taken as often as the lump-sum option (SSB). Most of the personnel selected the lump sum – saving taxpayers a present value of $1.7 billion in separation costs [Ref. 18]. SSB had more costs associated with it at the time of separation than VSI. This is because of the large one time payment. However, in the long run, the present value of SSB saved more money than VSI. This long-term savings is what the framers of these programs were aiming for, and it more than recouped the upfront costs of the lump-sum option.

It is estimated that the VSI/SSB program increased separation by 100 percent [Ref 16: p. xii]. Therefore, about half of the eligible personnel who left with the VSI/SSB benefit would have left even without the program. These personnel earned economic

rents. That is, they received compensation for separating, even though they would have separated anyway. On the other hand, it is estimated that the other half of those who left were induced to leave by the program and would not have left without it. This substantial effect suggests that DOD was able to design a successful voluntary separation incentive pay program [Ref. 16: :p. 36]

With retention at record highs, and the need to once again shape the force, there is indeed a need for force shaping programs. Figure 4 illustrates the likelihood of enlisted personnel and officers of remaining on active duty for twenty years.

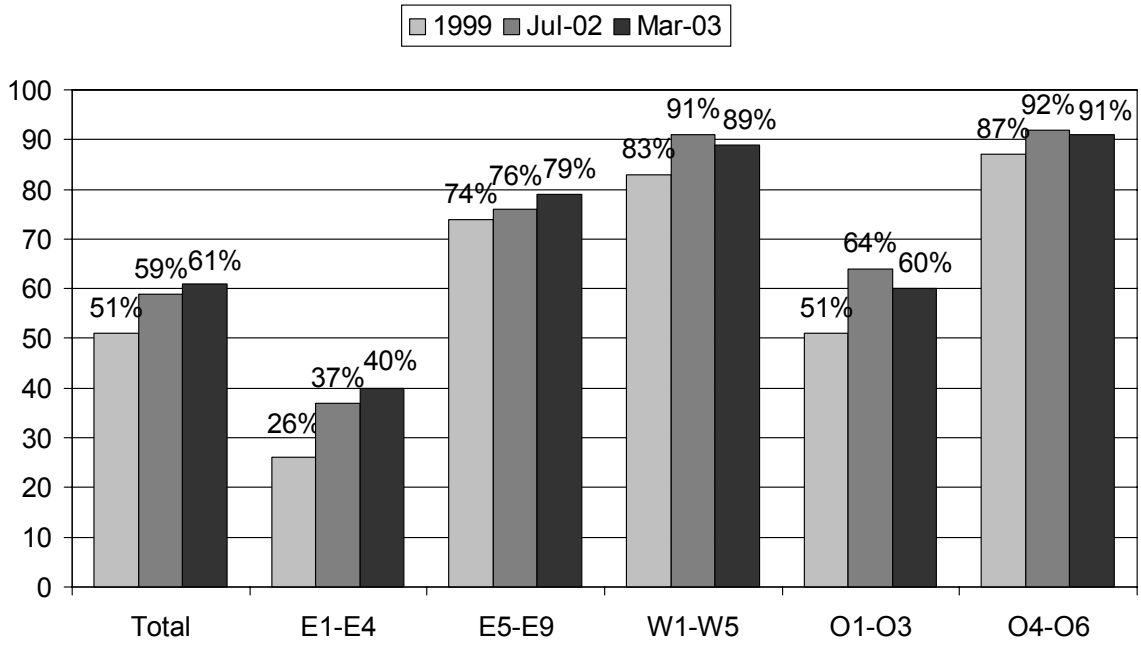

Figure 4. Likelihood of Staying for 20 Years [From Ref 17]

Reinstatement of previous drawdown tools has been attempted (without success) over the last several years. Additionally, authorities for the previous force shaping tools used during the drawdown expired several years ago. While these tools served us well during the 1990's, they are too inflexible, too costly, and ill-suited to the smaller-scale, targeted force shaping that is anticipated in the future. On the other hand, involuntary separations (such as RIFs) are extremely costly in terms of negative morale and long-term retention.

The Office of Management and Budget (OMB) is wary of the high cost of annuity payments used in the past and of the Services' inability to articulate a long-term strategy for strength.

B. RECOMMENDATIONS

A more "surgical" force-shaping tool is needed as the DOD seeks to become more efficient and avoid any skill or experience imbalances in the smaller force. Unlike previous tools, the desired flexible force-shaping tool is not to be strictly used for reducing the forces, but rather to shape them, making them more efficient and more effective in accomplishing current and future missions. These programs should be targeted by service, skill, quantity, quality, and paygrade/length of service needed to permit officer and enlisted force shaping. Furthermore they should be efficient, minimizes economic rent, and maximize return on investment (ROI) to the DOD. The desired program should also be market-based to achieve voluntary separations. That is, it should be adjustable depending on retention conditions, skills targeted, number of separations desired, and other factors that would influence the decision to stay or separate. This would enable force-shaping efficiencies while retaining positive retention momentum of career force.

APPENDIX A – DOD PAYTABLES

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC PAY - Effective January 1, 1992*

Pay Grade	Under 2	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 26
	Cumulative Years of Service													
O-10 2/	6,417.60	6,643.50				6,898.20		7,280.40		7,801.20		8,323.50		8842.20 1/
O-9	5,687.70	5,836.50	5,961.00			6,112.50		6,366.90		6,898.20		7,280.40		7,801.20
O-8	5,151.60	5,306.10	5,431.80			5,836.50		6,112.50		6,366.90	6,643.50	6,898.20	7,068.30	
O-7	4,280.40	4,571.40			4,776.60		5,053.50		5,306.10	5,836.50	6,238.20			
O-6	3,172.80	3,485.70	3,714.30						3,840.30	4,447.50	4,674.60	4,776.60	5,053.50	5,480.70
O-5	2,537.40	2,979.30	3,185.40				3,281.70	3,458.40	3,690.30	3,966.60	4,193.70	4,320.90	4,471.80	
O-4	2,138.70	2,604.60	2,778.30		2,829.90	2,954.70	3,156.30	3,333.60	3,485.70	3,638.70	3,739.20			
O-3	1,987.50	2,222.40	2,375.70	2,628.60	2,754.30	2,853.00	3,007.50	3,156.30	3,233.70					
O-2	1,733.10	1,892.70	2,274.30	2,350.50	2,399.40									
O-1	1,504.80	1,566.30	1,892.70											
O-3E 3/				2,628.60	2,754.30	2,853.00	3,007.50	3,156.30	3,281.70					
O-2E 3/				2,350.50	2,399.40	2,475.60	2,604.60	2,704.20	2,778.30					
O-1E 3/				1,892.70	2,022.30	2,096.70	2,172.60	2,248.20	2,350.50					
W-5	Basic pay and basic allowance for quarters are effective Feb 1, 1992.											3,455.90	3,587.10	3,846.30
W-4	2,025.00	2,172.60		2,222.40	2,323.20	2,425.80	2,527.50	2,704.20	2,829.90	2,929.20	3,007.50	3,104.70	3,208.50	3,458.40
W-3	1,840.50	1,996.50		2,022.30	2,045.70	2,195.40	2,323.20	2,399.40	2,475.60	2,549.40	2,628.60	2,730.90	2,829.90	2,929.20
W-2	1,611.90	1,743.90		1,794.90	1,892.70	1,996.50	2,072.10	2,148.30	2,222.40	2,300.40	2,375.70	2,450.70	2,549.40	
W-1	1,342.80	1,539.90		1,668.30	1,743.90	1,818.90	1,892.70	1,971.00	2,045.70	2,121.90	2,195.40	2,274.30		
E-9	While serving as the MCPO of the Navy, basic pay is $3,686.40.						2,355.90	2,408.70	2,463.30	2,519.70	2,576.10	2,626.20	2,763.90	3,032.70
E-8						1,975.50	2,031.90	2,085.60	2,139.60	2,196.30	2,246.70	2,301.90	2,436.90	2,708.40
E-7	1,379.10	1,488.90	1,544.10	1,598.10	1,652.40	1,705.20	1,759.80	1,814.70	1,896.90	1,950.60	2,004.90	2,031.00	2,167.20	2,436.90
E-6	1,186.80	1,293.30	1,347.30	1,404.60	1,457.10	1,509.60	1,565.10	1,645.80	1,697.40	1,752.30	1,779.00			
E-5	1,041.30	1,133.40	1,188.60	1,240.20	1,321.80	1,375.50	1,430.10	1,482.60	1,509.60					
E-4	971.10	1,025.70	1,086.00	1,170.00	1,216.20									
E-3	915.00	965.40	1,003.80	1,043.40										
E-2	880.50													
E-1 4mos+	785.70													
E-1 <4mos	726.60													

Notes:

1. The basic pay shown in this table is without the cap. The actual amount of basic pay received is $8,733.30 per month.
2. While serving as the Chairman/Vice Chairman, JCS or CNO, basic pay is $8,733.30, regardless of years of service, but is limited to $6,516.60.
3. Officers with more than four years' active duty as enlisted/warrant officer.

* If no amount is under cumulative years of service/sea duty, the amount immediately to the left applies.

Basic Allowance for Quarters

Partial	With Dependent	Without Dependent
50.70	848.10	689.40
50.70	848.10	689.40
50.70	848.10	689.40
50.70	848.10	689.40
39.60	764.10	632.40
33.00	736.20	609.00
26.70	649.20	564.30
22.20	537.30	452.40
17.70	458.70	358.80
13.20	409.80	302.10
22.20	537.30	488.40
17.70	458.70	415.20
13.20	458.70	357.00
25.20	458.70	573.00
25.20	574.20	509.10
20.70	526.50	427.80
15.90	484.20	379.80
13.80	418.80	318.30
18.60	551.10	418.20
	507.90	384.30
15.30	471.90	327.90
12.00	436.20	296.70
9.90	392.10	273.60
8.70	341.10	238.20
8.10	317.40	233.70
7.80	302.10	190.20
7.20	302.10	190.20
6.90	302.10	168.90

MONTHLY CAREER SEA PAY

Pay Grade	1 or Less	Over 1	Over 2	Over 3	Over 4	Over 5	Over 6	Over 7	Over 8	Over 9	Over 10	Over 11	Over 12	Over 13	Over 14	Over 16	Over 18	Over 20
	Cumulative Years of Sea Duty *																	
O-6				225.00	230.00		240.00	255.00	265.00	280.00	290.00		310.00		325.00	340.00	355.00	380.00
O-5				225.00				230.00	245.00	250.00	260.00	265.00			285.00	300.00	315.00	340.00
O-4				185.00	190.00	200.00	205.00	215.00	220.00		225.00		240.00		270.00	280.00	290.00	300.00
O-3				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		260.00	270.00	280.00	290.00
O-2				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		250.00	260.00	270.00	280.00
E-1				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		250.00	260.00	270.00	280.00
W-5	150.00				170.00	290.00	310.00				350.00	375.00	400.00		450.00		500.00	
W-4	150.00				170.00	290.00	310.00				350.00	375.00	400.00		450.00		500.00	
W-3	150.00				170.00	290.00	310.00				350.00	375.00	400.00		450.00		500.00	
W-2	150.00				170.00	270.00	280.00	285.00	290.00	310.00	350.00	375.00	400.00		425.00		450.00	
W-1	150.00				170.00	260.00	265.00		270.00	310.00	340.00		375.00		400.00			
E-9	130.00	135.00	140.00	150.00	170.00	175.00	200.00	250.00	270.00	300.00	325.00		340.00		360.00	375.00		
E-8	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	520.00		
E-7	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	500.00	520.00	
E-6	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	500.00		
E-5	100.00		120.00	150.00	170.00	315.00	325.00	350.00		365.00			380.00	395.00	410.00	425.00	450.00	
E-4	50.00	60.00	120.00	150.00	170.00	315.00	325.00	350.00										
PO3	50.00	60.00	120.00	150.00	160.00													

BASIC PAY - Effective January 1, 1993*

	Cumulative Years of Service *															Basic Allowance for Quarters		
Pay Grade	Under 2	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26	Partial	With Dependent	Without Dependent
O-10 2/	6,655.20	6,889.20				7,153.50		7,549.80		8,089.80		8,631.60			9169.50 1/	50.70	879.60	714.90
O-9	5,898.00	6,052.50	6,181.50			6,338.70		6,602.40		7,153.50		7,549.80			8,089.80	50.70	879.60	714.90
O-8	5,342.10	5,502.30	5,632.80			6,052.50		6,338.70		6,602.40	6,889.20	7,153.50	7,329.90			50.70	879.60	714.90
O-7	4,438.80	4,740.60			4,953.30		5,240.40		5,502.30	6,052.50	6,468.90					50.70	879.60	714.90
O-6	3,290.10	3,614.70	3,851.70						3,982.50	4,612.20	4,847.70	4,953.30	5,240.40	5,417.70	5,683.50	39.60	792.30	655.80
O-5	2,631.30	3,089.40	3,303.30				3,403.20	3,586.50	3,826.80	4,113.30	4,348.80	4,480.80	4,637.40			33.00	763.50	631.50
O-4	2,217.90	2,700.90	2,881.20		2,934.60	3,063.90	3,273.00	3,456.90	3,614.70	3,773.40	3,877.50					26.70	673.20	585.30
O-3	2,061.00	2,304.60	2,463.60	2,725.80	2,856.30	2,958.60	3,118.80	3,273.00	3,353.40							22.20	557.10	469.20
O-2	1,797.30	1,962.60	2,358.30	2,437.50	2,488.20											17.70	475.80	372.00
O-1	1,560.60	1,624.20	1,962.60													13.20	425.10	313.20
O-3E 3/				2,725.80	2,856.30	2,958.60	3,118.80	3,273.00	3,403.20							22.20	598.50	506.40
O-2E 3/				2,437.50	2,488.20	2,567.10	2,700.90	2,804.40	2,881.20							17.70	540.00	430.50
O-1E 3/				1,962.60	2,097.00	2,174.40	2,253.00	2,331.30	2,437.50							13.20	498.90	370.20
W-5												3,583.80	3,719.70	3,827.30	3,988.50	25.20	649.50	594.30
W-4	2,100.00	2,253.00		2,304.60	2,409.30	2,515.50	2,621.10	2,804.40	2,934.60	3,037.50	3,118.80	3,219.60	3,327.30	3,430.90	3,586.50	25.20	595.50	528.00
W-3	1,908.60	2,070.30		2,097.00	2,121.30	2,276.70	2,409.30	2,488.20	2,567.10	2,643.60	2,725.80	2,832.00	2,934.60		3,037.50	20.70	546.00	443.70
W-2	1,671.60	1,808.40		1,861.20	1,962.60	2,070.30	2,148.90	2,227.80	2,304.60	2,385.60	2,463.60	2,541.30	2,643.60			15.90	502.20	393.90
W-1	1,392.60	1,596.90		1,730.10	1,808.40	1,886.10	1,962.60	2,043.90	2,121.30	2,200.50	2,276.70	2,358.30				13.80	434.40	330.00
E-9	While serving as the MCPO of the Navy, basic pay is $3,822.90.						2,443.20	2,497.80	2,554.50	2,613.00	2,671.50	2,723.40	2,866.20	2,977.70	3,144.90	18.60	571.50	433.80
E-8						2,048.70	2,107.20	2,162.70	2,218.80	2,277.60	2,329.80	2,387.10	2,527.20	2,639.70	2,808.60	15.30	526.80	398.40
E-7	1,430.10	1,544.10	1,601.10	1,657.20	1,713.60	1,768.20	1,824.90	1,881.90	1,967.10	2,022.90	2,079.00	2,106.00	2,247.30	2,359.30	2,527.20	12.00	489.30	339.90
E-6	1,230.60	1,341.30	1,397.10	1,456.50	1,511.10	1,565.40	1,623.00	1,706.70	1,760.10	1,817.10	1,844.70					9.90	452.40	307.80
E-5	1,079.70	1,175.40	1,232.70	1,286.10	1,370.70	1,426.50	1,482.90	1,537.50	1,565.40							8.70	406.50	283.80
E-4	1,007.10	1,063.80	1,126.20	1,213.20	1,261.20											8.10	353.70	246.90
E-3	948.90	1,001.10	1,041.00	1,082.10												7.80	329.10	242.40
E-2	913.20															7.20	313.20	197.10
E-1 4mos+	814.80															6.90	313.20	175.20
E-1 <4mos	753.60															6.90	313.20	175.20

Notes:

1. The basic pay shown in this table is without the cap. The actual amount of basic pay received is $9,016.80.
2. While serving as Chairman/Vice Chairman JCS or CNO, basic pay is $10,117.50, but the amount of basic pay received is limited to $9,016.80
3. Officers with more than 4 years' active duty as enlisted and/or warrant

MONTHLY CAREER SEA PAY

	Cumulative Years of Sea Duty *																	
Pay Grade	1 or Less	Over 1	Over 2	Over 3	Over 4	Over 5	Over 6	Over 7	Over 8	Over 9	Over 10	Over 11	Over 12	Over 13	Over 14	Over 16	Over 18	Over 20
O-6				225.00	230.00		240.00	255.00	265.00	280.00	290.00		310.00		325.00	340.00	355.00	380.00
O-5				225.00				230.00	245.00	250.00	260.00	265.00			285.00	300.00	315.00	340.00
O-4				185.00	190.00	200.00	205.00	215.00	220.00		225.00		240.00		270.00	280.00	290.00	300.00
O-3				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		260.00	270.00	280.00	290.00
O-2				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		250.00	260.00	270.00	280.00
O-1				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		250.00	260.00	270.00	280.00
W-5	150.00				170.00	290.00	310.00				350.00	375.00	400.00		450.00		500.00	
W-4	150.00				170.00	290.00	310.00				350.00	375.00	400.00		450.00		500.00	
W-3	150.00				170.00	270.00	280.00	285.00	290.00	310.00	350.00	375.00	400.00		425.00		450.00	
W-2	150.00				170.00	260.00	265.00		270.00	310.00	340.00		375.00		400.00			
W-1	130.00	135.00	140.00	150.00	170.00	175.00	200.00	250.00	270.00	300.00	325.00		340.00		360.00	375.00		
E-9	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	520.00		
E-8	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	500.00	520.00	
E-7	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	500.00		
E-6	100.00		120.00	150.00	170.00	315.00	325.00	350.00		365.00			380.00	395.00	410.00	425.00	450.00	
E-5	50.00	60.00	120.00	150.00	170.00	315.00	325.00	350.00										
E-4	50.00	60.00	120.00	150.00	160.00													

BASIC PAY - Effective January 1, 1994 1/

Pay Grade	Cumulative Years of Service: Under 2	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26	Basic Allowance for Quarters: Partial	With Dependent	Without Dependent
O-10 2/	6,801.60	7,040.70				7,311.00		7,716.00		8,267.70		8,821.50			9371.10 3/	50.70	899.10	730.50
O-9	6,027.90	6,185.70	6,317.40			6,478.20		6,747.60		7,311.00		7,716.00			8,267.70	50.70	899.10	730.50
O-8	5,459.70	5,623.50	5,756.70			6,185.70		6,478.20		6,747.60	7,040.70	7,311.00	7,491.30			50.70	899.10	730.50
O-7	4,536.60	4,845.00			5,062.20		5,355.60		5,623.50	6,185.70	6,611.10					50.70	899.10	730.50
O-6	3,362.40	3,694.20	3,936.30						4,070.10	4,713.60	4,954.20	5,062.20	5,355.60	5,536.80	5,805.60	39.60	809.70	670.20
O-5	2,689.20	3,157.50	3,375.90				3,478.20	3,665.40	3,911.10	4,203.90	4,444.50	4,579.50	4,739.40			33.00	780.30	645.30
O-4	2,266.80	2,760.30	2,944.50		2,999.10	3,131.40	3,345.00	3,533.10	3,694.20	3,856.50	3,962.70					26.70	687.90	598.20
O-3E	2,106.30	2,355.30	2,517.90	2,785.80	2,919.00	3,023.70	3,187.50	3,345.00	3,427.20							22.20	569.40	479.40
O-2	1,836.90	2,005.80	2,410.20	2,491.20	2,542.80											17.70	486.30	380.10
O-1	1,594.80	1,659.90	2,005.80													13.20	434.40	320.10
O-3E 3/				2,785.80	2,919.00	3,023.70	3,187.50	3,345.00	3,478.20							22.20	611.70	517.50
O-2E 3/				2,491.20	2,542.80	2,623.50	2,760.30	2,866.20	2,944.50							17.70	552.00	440.10
O-1E 3/				2,005.80	2,143.20	2,222.10	2,302.50	2,382.60	2,491.20							13.20	510.00	378.30
W-5												3,662.70	3,801.60	3,911.40	4,076.10	25.20	663.90	607.50
W-4	2,146.20	2,302.50		2,355.30	2,462.40	2,570.70	2,678.70	2,866.20	2,999.10	3,104.40	3,187.50	3,290.40	3,400.50	3,506.40	3,665.40	25.20	608.70	539.70
W-3	1,950.60	2,115.90		2,143.20	2,168.10	2,326.80	2,462.40	2,542.80	2,623.50	2,701.80	2,785.80	2,894.40	2,999.10		3,104.40	20.70	558.00	453.60
W-2	1,708.50	1,848.30		1,902.00	2,005.80	2,115.90	2,196.30	2,276.70	2,355.30	2,438.10	2,517.90	2,597.10	2,701.80			15.90	513.30	402.60
W-1	1,423.20	1,632.00		1,768.20	1,848.30	1,927.50	2,005.80	2,088.90	2,168.10	2,248.80	2,326.80	2,410.20				13.80	444.00	337.20
E-9	While serving as the MCPO of the Navy, basic pay is $3,906.90						2,496.90	2,552.70	2,610.60	2,670.60	2,730.30	2,783.40	2,929.20	3,043.20	3,214.20	18.60	584.10	443.40
E-8						2,093.70	2,153.70	2,210.40	2,267.70	2,327.70	2,381.10	2,439.60	2,582.70	2,697.90	2,870.40	15.30	538.50	407.10
E-7	1,461.60	1,578.00	1,636.20	1,693.80	1,751.40	1,807.20	1,865.10	1,923.30	2,010.30	2,067.30	2,124.60	2,152.20	2,296.80	2,411.10	2,582.70	12.00	500.10	347.40
E-6	1,257.60	1,370.70	1,427.70	1,488.60	1,544.40	1,599.90	1,658.70	1,744.20	1,798.80	1,857.00	1,885.20					9.90	462.30	314.70
E-5	1,103.40	1,201.20	1,259.70	1,314.30	1,401.00	1,458.00	1,515.60	1,571.40	1,599.90							8.70	415.50	290.10
E-4	1,029.30	1,087.20	1,151.10	1,239.00	1,288.80											8.10	361.50	252.30
E-3	969.90	1,023.00	1,063.80	1,105.80												7.80	336.30	247.80
E-2	933.30															7.20	320.10	201.30
E-1 4mos+	832.80															6.90	320.10	179.10
E-1 <4mos	770.10															6.90	320.10	179.10

Notes:

1. The basic pay shown in this table is without the cap. The actual amount of basic pay received is $9,016.80.
2. While serving as Chairman/Vice Chairman JCS or CNO, basic pay is $10,340.10, but the amount of basic pay received is limited to $9,016.80
3. Officers with more than 4 years' active duty as enlisted and/or warrant

MONTHLY CAREER SEA PAY

Pay Grade	Cumulative Years of Sea Duty *: 1 or Less	Over 1	Over 2	Over 3	Over 4	Over 5	Over 6	Over 7	Over 8	Over 9	Over 10	Over 11	Over 12	Over 13	Over 14	Over 16	Over 18	Over 20
O-6				225.00	230.00		240.00	255.00	265.00	280.00	290.00		310.00		325.00	340.00	355.00	380.00
O-5				225.00				230.00	245.00	250.00	260.00	265.00			285.00	300.00	315.00	340.00
O-4				185.00	190.00	200.00	205.00	215.00	220.00		225.00		240.00		270.00	280.00	290.00	300.00
O-3				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		260.00	270.00	280.00	290.00
O-2				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		250.00	260.00	270.00	280.00
O-1				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		250.00	260.00	270.00	280.00
W-5	150.00				170.00	290.00	310.00				350.00	375.00	400.00		450.00		500.00	
W-4	150.00				170.00	290.00	310.00				350.00	375.00	400.00		450.00		500.00	
W-3	150.00				170.00	270.00	280.00	285.00	290.00	310.00	350.00	375.00	400.00		425.00		450.00	
W-2	150.00				170.00	260.00	265.00		270.00	310.00	340.00		375.00		400.00			
W-1	130.00	135.00	140.00	150.00	170.00	175.00	200.00	250.00	270.00	300.00	325.00		340.00		360.00	375.00		
E-9	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	520.00		
E-8	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	500.00	520.00	
E-7	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	500.00		
E-6	100.00		120.00	150.00	170.00	315.00	325.00	350.00		365.00			380.00	395.00	410.00	425.00	450.00	
E-5	50.00	60.00	120.00	150.00	170.00	315.00	325.00	350.00										
E-4	50.00	60.00	120.00	150.00	160.00													

BASIC PAY - Effective January 1, 1995

	Cumulative Years of Service *															Basic Allowance for Quarters		
Pay Grade	Under 2	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26	Partial	With Dependent	Without Dependent
O-10 1/	6,978.30	7,223.70				7,501.20		7,916.70		8,482.80		9051.00 1/			9614.70 1/	50.70	922.50	749.40
O-9	6,184.50	6,346.50	6,481.80			6,646.50		6,923.10		7,501.20		7,916.70			8,482.80	50.70	922.50	749.40
O-8	5,601.60	5,769.60	5,906.40			6,346.50		6,646.50		6,923.10	7,223.70	7,501.20	7,686.00			50.70	922.50	749.40
O-7	4,654.50	4,971.00			5,193.90		5,494.80		5,769.60	6,346.50	6,783.00					50.70	922.50	749.40
O-6	3,449.70	3,790.20	4,038.60						4,176.00	4,836.30	5,082.90	5,193.90	5,494.80	5,680.80	5,959.50	39.60	830.70	687.60
O-5	2,759.10	3,239.70	3,463.80				3,568.50	3,760.80	4,012.80	4,313.10	4,560.00	4,698.60	4,862.70			33.00	800.70	662.10
O-4	2,325.60	2,832.00	3,021.00		3,077.10	3,212.70	3,432.00	3,624.90	3,790.20	3,956.70	4,065.60					26.70	705.90	613.80
O-3E	2,161.20	2,416.50	2,583.30	2,858.10	2,994.90	3,102.30	3,270.30	3,432.00	3,516.30							22.20	584.10	492.00
O-2	1,884.60	2,058.00	2,472.90	2,556.00	2,608.80											17.70	498.90	390.00
O-1	1,636.20	1,703.10	2,058.00													13.20	445.80	328.50
O-3E 3/				2,858.10	2,994.90	3,102.30	3,270.30	3,432.00	3,568.50							22.20	627.60	531.00
O-2E 3/				2,556.00	2,608.80	2,691.60	2,832.00	2,940.60	3,021.00							17.70	566.40	451.50
O-1E 3/				2,058.00	2,199.00	2,280.00	2,362.50	2,444.40	2,556.00							13.20	523.20	388.20
W-5												3,757.80	3,900.30	4,013.10	4,182.00	25.20	681.30	623.40
W-4	2,202.00	2,362.50		2,416.50	2,526.30	2,637.60	2,748.30	2,940.60	3,077.10	3,185.10	3,270.30	3,375.90	3,489.00	3,597.60	3,760.80	25.20	624.60	553.80
W-3	2,001.30	2,170.80		2,199.00	2,224.50	2,387.40	2,526.30	2,608.80	2,691.60	2,772.00	2,858.10	2,969.70	3,077.10		3,185.10	20.70	572.40	465.30
W-2	1,752.90	1,896.30		1,951.50	2,058.00	2,170.80	2,253.30	2,335.80	2,416.50	2,501.40	2,583.30	2,664.60	2,772.00			15.90	526.50	413.10
W-1	1,460.10	1,674.30		1,814.10	1,896.30	1,977.60	2,058.00	2,143.20	2,224.50	2,307.30	2,387.40	2,472.90				13.80	455.40	345.90
E-9	While serving as the MCPO of the Navy, basic pay is $4,008.60.						2,561.70	2,619.00	2,678.40	2,739.90	2,801.40	2,855.70	3,005.40	3,122.40	3,297.90	18.60	599.40	454.80
E-8						2,148.00	2,209.80	2,268.00	2,326.80	2,388.30	2,442.90	2,502.90	2,649.90	2,768.10	2,945.10	15.30	552.60	417.60
E-7	1,499.70	1,619.10	1,678.80	1,737.90	1,797.00	1,854.30	1,913.70	1,973.40	2,062.50	2,121.00	2,179.80	2,208.30	2,356.50	2,473.80	2,649.90	12.00	513.00	356.40
E-6	1,290.30	1,406.40	1,464.90	1,527.30	1,584.60	1,641.60	1,701.90	1,789.50	1,845.60	1,905.30	1,934.10					9.90	474.30	322.80
E-5	1,132.20	1,232.40	1,292.40	1,348.50	1,437.30	1,495.80	1,554.90	1,612.20	1,641.60							8.70	426.30	297.60
E-4	1,056.00	1,115.40	1,181.10	1,272.00	1,322.40											8.10	370.80	258.90
E-3	995.10	1,049.70	1,091.40	1,134.60												7.80	345.00	254.10
E-2	957.60															7.20	328.50	206.40
E-1 4mos+	854.40															6.90	328.50	183.90
E-1 <4mos	790.20															6.90	328.50	183.90

Notes:

1. The basic pay shown in this table is without the cap. The actual amount of basic pay received is $9,016.80 per month.
2. While serving as the Chairman/Vice Chairman, JCS or CNO, basic pay is $10,608.90, regardless of years of service, but is limited to $6,516.60.
3. Officers with more than four years' active duty as enlisted/warrant officer.

* If no amount is under cumulative years of service/sea duty, the amount immediately to the left applies.

MONTHLY CAREER SEA PAY

	Cumulative Years of Sea Duty *																	
Pay Grade	1 or Less	Over 1	Over 2	Over 3	Over 4	Over 5	Over 6	Over 7	Over 8	Over 9	Over 10	Over 11	Over 12	Over 13	Over 14	Over 16	Over 18	Over 20
O-6				225.00	230.00		240.00	255.00	265.00	280.00	290.00		310.00		325.00	340.00	355.00	380.00
O-5				225.00				230.00	245.00	250.00	260.00	265.00			285.00	300.00	315.00	340.00
O-4				185.00	190.00	200.00	205.00	215.00	220.00		225.00		240.00		270.00	280.00	290.00	300.00
O-3				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		260.00	270.00	280.00	290.00
O-2				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		250.00	260.00	270.00	280.00
O-1				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		250.00	260.00	270.00	280.00
W-5	150.00				170.00	290.00	310.00				350.00	375.00	400.00		450.00		500.00	
W-4	150.00				170.00	290.00	310.00				350.00	375.00	400.00		450.00		500.00	
W-3	150.00				170.00	270.00	280.00	285.00	290.00	310.00	350.00	375.00	400.00		425.00		450.00	
W-2	150.00				170.00	260.00	265.00		270.00	310.00	340.00		375.00		400.00			
W-1	130.00	135.00	140.00	150.00	170.00	175.00	200.00	250.00	270.00	300.00	325.00		340.00		360.00	375.00		
E-9	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	520.00		
E-8	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	500.00	520.00	
E-7	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	500.00		
E-6	100.00		120.00	150.00	170.00	315.00	325.00	350.00		365.00			380.00	395.00	410.00	425.00	450.00	
E-5	50.00	60.00	120.00	150.00	170.00	315.00	325.00	350.00										
E-4	50.00	60.00	120.00	150.00	160.00													

BASIC PAY - Effective January 1, 1996*

Pay Grade	Under 2	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26	Basic Allowance for Quarters: Partial	With Dependent	Without Dependent
	Cumulative Years of Service																	
O-10 1/	7,145.70	7,397.10				7,681.20		8,106.60		8,686.50		9268.20 1/			9845.40 1/	50.70	970.50	788.40
O-9	6,333.00	6,498.90	6,637.50			6,806.10		7,089.30		7,681.20		8,106.60			8,686.50	50.70	970.50	788.40
O-8	5,736.00	5,908.20	6,048.30			6,498.90		6,806.10		7,089.30	7,397.10	7,681.20	7,870.50			50.70	970.50	788.40
O-7	4,766.10	5,090.40			5,318.70		5,626.80		5,908.20	6,498.90	6,945.90					50.70	970.50	788.40
O-6	3,532.50	3,881.10	4,135.50						4,276.20	4,952.40	5,205.00	5,318.70	5,626.80	5,817.00	6,102.60	39.60	873.90	723.30
O-5	2,825.40	3,317.40	3,546.90				3,654.00	3,851.10	4,109.10	4,416.60	4,669.50	4,811.40	4,979.40			33.00	842.40	696.60
O-4	2,381.40	2,900.10	3,093.60		3,150.90	3,289.80	3,514.50	3,711.90	3,881.10	4,051.80	4,163.10					26.70	742.50	645.60
O-3	2,213.10	2,474.40	2,645.40	2,926.80	3,066.90	3,176.70	3,348.90	3,514.50	3,600.60							22.20	614.40	517.50
O-2	1,929.90	2,107.50	2,532.30	2,617.20	2,671.50											17.70	524.70	410.40
O-1	1,675.50	1,743.90	2,107.50													13.20	468.90	345.60
O-3E 3/				2,926.80	3,066.90	3,176.70	3,348.90	3,514.50	3,654.00							22.20	660.30	558.60
O-2E 3/				2,617.20	2,671.50	2,756.10	2,900.10	3,011.10	3,093.60							17.70	595.80	474.90
O-1E 3/				2,107.50	2,251.80	2,334.60	2,419.20	2,503.20	2,617.20							13.20	550.50	408.30
W-5												3,848.10	3,993.90	4,109.40	4,282.50	25.20	716.70	655.80
W-4	2,254.80	2,419.20		2,474.40	2,586.90	2,700.90	2,814.30	3,011.10	3,150.90	3,261.60	3,348.90	3,456.90	3,572.70	3,684.00	3,851.10	25.20	657.00	582.60
W-3	2,049.30	2,223.00		2,251.80	2,277.90	2,444.70	2,586.90	2,671.50	2,756.10	2,838.60	2,926.80	3,041.10	3,150.90		3,261.60	20.70	602.10	489.60
W-2	1,794.90	1,941.90		1,998.30	2,107.50	2,223.00	2,307.30	2,391.90	2,474.40	2,561.40	2,645.40	2,728.50	2,838.60			15.90	553.80	434.70
W-1	1,495.20	1,714.50		1,857.60	1,941.90	2,025.00	2,107.50	2,194.50	2,277.90	2,362.80	2,444.70	2,532.30				13.80	479.10	363.90
E-9	While serving as the MCPO of the Navy basic pay is $4,104.90.						2,623.20	2,682.00	2,742.60	2,805.60	2,868.60	2,924.10	3,077.40	3,197.40	3,377.10	18.60	630.60	478.50
E-8						2,199.60	2,262.90	2,322.30	2,382.60	2,445.60	2,501.40	2,562.90	2,713.50	2,834.40	3,015.90	15.30	581.40	439.20
E-7	1,535.70	1,658.10	1,719.00	1,779.60	1,840.20	1,898.70	1,959.60	2,020.80	2,112.00	2,172.00	2,232.00	2,261.40	2,413.20	2,533.20	2,713.50	12.00	539.70	375.00
E-6	1,321.20	1,440.30	1,500.00	1,563.90	1,622.70	1,680.90	1,742.70	1,832.40	1,890.00	1,950.90	1,980.60					9.90	498.90	339.60
E-5	1,159.50	1,262.10	1,323.30	1,380.90	1,471.80	1,531.80	1,592.10	1,650.90	1,680.90							8.70	448.50	313.20
E-4	1,081.20	1,142.10	1,209.30	1,302.60	1,354.20											8.10	390.00	272.40
E-3	1,019.10	1,074.90	1,117.50	1,161.90												7.80	363.00	267.30
E-2	980.70															7.20	345.60	217.20
E-1 4mos+	874.80															6.90	345.60	193.50
E-1 <4mos	809.10															6.90	345.60	193.50

Note:

1. The basic pay shown in this table is without the cap. The actual amount of pay received is $9,016.89.
2. While serving as Chairman/Vice Chairman JCS or CNO, basic pay is $10,863.60, however, the amount received is limited to $9,016.80.
3. Officers with more than 4 years' active duty as enlisted and/or warrant

* If no amount is under cumulative years of service/sea duty, the amount immediately to the left applies.

MONTHLY CAREER SEA PAY

Pay Grade	1 or Less	Over 1	Over 2	Over 3	Over 4	Over 5	Over 6	Over 7	Over 8	Over 9	Over 10	Over 11	Over 12	Over 13	Over 14	Over 16	Over 18	Over 20
	Cumulative Years of Sea Duty *																	
O-6				225.00	230.00		240.00	255.00	265.00	280.00	290.00		310.00		325.00	340.00	355.00	380.00
O-5				225.00				230.00	245.00	250.00	260.00	265.00			285.00	300.00	315.00	340.00
O-4				185.00	190.00	200.00	205.00	215.00	220.00		225.00		240.00		270.00	280.00	290.00	300.00
O-3				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		260.00	270.00	280.00	290.00
O-2				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		250.00	260.00	270.00	280.00
O-1				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		250.00	260.00	270.00	280.00
W-5	150.00				170.00	290.00	310.00				350.00	375.00	400.00		450.00		500.00	
W-4	150.00				170.00	290.00	310.00				350.00	375.00	400.00		450.00		500.00	
W-3	150.00				170.00	270.00	280.00	285.00	290.00	310.00	350.00	375.00	400.00		425.00		450.00	
W-2	150.00				170.00	260.00	265.00		270.00	310.00	340.00		375.00		400.00			
W-1	130.00	135.00	140.00	150.00	170.00	175.00	200.00	250.00	270.00	300.00	325.00		340.00		360.00	375.00		
E-9	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	520.00		
E-8	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	500.00	520.00	
E-7	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	500.00		
E-6	100.00		120.00	150.00	170.00	315.00	325.00	350.00		365.00			380.00	395.00	410.00	425.00	450.00	
E-5	50.00	60.00	120.00	150.00	170.00	315.00	325.00	350.00										
E-4	50.00	60.00	120.00	150.00	160.00													

BASIC PAY - Effective January 1, 1997*

	Cumulative Years of Service [1]															Basic Allowance for Quarters		
Pay Grade	Under 2	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26	Partial	With Dependent	Without Dependent
O-10 [2]	7,360.20	7,619.10				7,911.60		8,349.90		8,947.20		9546.30 [1]			10140.90 [1]	50.70	1,015.20	824.70
O-9	6,522.90	6,693.90	6,836.70			7,010.40		7,302.00		7,911.60		8,349.90			8,947.20	50.70	1,015.20	824.70
O-8	5,908.20	6,085.50	6,229.80			6,693.90		7,010.40		7,302.00	7,619.10	7,911.60	8,106.60			50.70	1,015.20	824.70
O-7	4,909.20	5,243.10			5,478.30		5,795.70		6,085.50	6,693.90	7,154.40					50.70	1,015.20	824.70
O-6	3,638.40	3,997.50	4,259.70						4,404.60	5,100.90	5,361.30	5,478.30	5,795.70	5,991.60	6,285.60	39.60	914.10	756.60
O-5	2,910.30	3,417.00	3,653.40				3,763.50	3,966.60	4,232.40	4,549.20	4,809.60	4,955.70	5,128.80			33.00	881.10	728.70
O-4	2,452.80	2,987.10	3,186.30		3,245.40	3,388.50	3,619.80	3,823.20	3,997.50	4,173.30	4,287.90					26.70	776.70	675.30
O-3E	2,279.40	2,548.50	2,724.90	3,014.70	3,159.00	3,272.10	3,449.40	3,619.80	3,708.60							22.20	642.60	541.20
O-2	1,987.80	2,170.80	2,608.20	2,695.80	2,751.60											17.70	548.70	429.30
O-1	1,725.90	1,796.10	2,170.80													13.20	490.50	361.50
O-3E [3]				3,014.70	3,159.00	3,272.10	3,449.40	3,619.80	3,763.50							22.20	690.60	584.40
O-2E [3]				2,695.80	2,751.60	2,838.90	2,987.10	3,101.40	3,186.30							17.70	623.10	496.80
O-1E [3]				2,170.80	2,319.30	2,404.50	2,491.80	2,578.20	2,695.80							13.20	575.70	427.20
W-5												3,963.60	4,113.60	4,232.70	4,410.90	25.20	749.70	686.10
W-4	2,322.30	2,491.80		2,548.50	2,664.60	2,781.90	2,898.60	3,101.40	3,245.40	3,359.40	3,449.40	3,560.70	3,679.80	3,794.40	3,966.60	25.20	687.30	609.30
W-3	2,110.80	2,289.60		2,319.30	2,346.30	2,517.90	2,664.60	2,751.60	2,838.90	2,923.80	3,014.70	3,132.10	3,245.40		3,359.40	20.70	629.70	512.10
W-2	1,848.60	2,000.10		2,058.30	2,170.80	2,289.60	2,376.60	2,463.60	2,548.50	2,638.20	2,724.90	2,810.40	2,923.80			15.90	579.30	454.80
W-1	1,540.20	1,765.80		1,913.40	2,000.10	2,085.90	2,170.80	2,260.20	2,346.30	2,433.60	2,517.90	2,608.20				13.80	501.00	380.70
E-9	While serving as the MCPO of the Navy, basic pay is $4,227.90						2,701.80	2,762.40	2,824.80	2,889.90	2,954.70	3,011.70	3,169.80	3,293.40	3,478.50	18.60	659.70	500.40
E-8						2,265.60	2,330.70	2,391.90	2,454.00	2,519.10	2,576.40	2,639.70	2,794.80	2,919.30	3,106.50	15.30	608.10	459.30
E-7	1,581.90	1,707.90	1,770.60	1,833.00	1,895.40	1,955.70	2,018.40	2,081.40	2,175.30	2,237.10	2,298.90	2,329.20	2,485.50	2,609.10	2,794.80	12.00	564.60	392.40
E-6	1,360.80	1,483.50	1,545.00	1,610.70	1,671.30	1,731.30	1,794.90	1,887.30	1,946.70	2,009.40	2,040.00					9.90	521.70	355.20
E-5	1,194.30	1,299.90	1,362.90	1,422.30	1,515.90	1,577.70	1,639.80	1,700.40	1,731.30							8.70	469.20	327.60
E-4	1,113.60	1,176.30	1,245.60	1,341.60	1,394.70											8.10	408.00	285.00
E-3	1,049.70	1,107.00	1,151.10	1,196.70												7.80	379.80	279.60
E-2	1,010.10															7.20	361.50	227.10
E-1 4mos+	900.90															6.90	361.50	202.50
E-1 <4mos	833.40															6.90	361.50	202.50

Notes:

1. The basic pay shown in this table is without the cap. The actual amount of pay received is $9,016.80.

** While serving as Chairman/Vice Chairman JCS or CNO basic pay is $11,189.40 regardless of years of service, but the amount received is limited to $9,016.80.

3. Officers with more than 4 years' active duty as enlisted and/or warrant officer.

MONTHLY CAREER SEA PAY

	Cumulative Years of Sea Duty *																	
Pay Grade	1 or Less	Over 1	Over 2	Over 3	Over 4	Over 5	Over 6	Over 7	Over 8	Over 9	Over 10	Over 11	Over 12	Over 13	Over 14	Over 16	Over 18	Over 20
O-6				225.00	230.00		240.00	255.00	265.00	280.00	290.00		310.00		325.00	340.00	355.00	380.00
O-5				225.00				230.00	245.00	250.00	260.00	265.00			285.00	300.00	315.00	340.00
O-4				185.00	190.00	200.00	205.00	215.00	220.00		225.00		240.00		270.00	280.00	290.00	300.00
O-3				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		260.00	270.00	280.00	290.00
O-2				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		250.00	260.00	270.00	280.00
O-1				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		250.00	260.00	270.00	280.00
W-5	150.00				170.00	290.00	310.00				350.00	375.00	400.00		450.00		500.00	
W-4	150.00				170.00	290.00	310.00				350.00	375.00	400.00		450.00		500.00	
W-3	150.00				170.00	270.00	280.00	285.00	290.00	310.00	350.00	375.00	400.00		425.00		450.00	
W-2	150.00				170.00	260.00	265.00		270.00	310.00	340.00		375.00		400.00			
W-1	130.00	135.00	140.00	150.00	170.00	175.00	200.00	250.00	270.00	300.00	325.00		340.00		360.00	375.00		
E-9	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	520.00		
E-8	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	500.00	520.00	
E-7	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	500.00		
E-6	100.00		120.00	150.00	170.00	315.00	325.00	350.00		365.00			380.00	395.00	410.00	425.00	450.00	
E-5	50.00	60.00	120.00	150.00	170.00	315.00	325.00	350.00										
E-4	50.00	60.00	120.00	150.00	160.00													

BASIC PAY - Effective January 1, 1998*

	Cumulative Years of Service															BASIC ALLOWANCE FOR HOUSING TYPE II		
Pay Grade	Under 2	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26	Partial	With Dependent	Without Dependent
O-10 2/	7,566.30	7,832.40				8,133.00		8,583.60		9,197.70		9813.60 1/			10424.70 1/	50.70	1043.70	847.80
O-9	6,705.60	6,881.40	7,028.10			7,206.60		7,506.60		8,133.00		8,583.60			9,197.70	50.70	1043.70	847.80
O-8	6,073.50	6,255.90	6,404.10			6,881.40		7,206.60		7,506.60	7,832.40	8,133.00	8,333.70			50.70	1043.70	847.80
O-7	5,046.60	5,389.80			5,631.60		5,958.00		6,255.90	6,881.40	7,354.80					50.70	1043.70	847.80
O-6	3,740.40	4,109.40	4,379.10						4,527.90	5,243.70	5,511.30	5,631.60	5,958.00	6,159.30	6,461.70	39.60	939.60	777.90
O-5	2,991.90	3,512.70	3,755.70				3,868.80	4,077.60	4,350.90	4,676.70	4,944.30	5,094.60	5,272.50			33.00	905.70	749.10
O-4	2,521.50	3,070.80	3,275.40		3,336.30	3,483.30	3,721.20	3,930.30	4,109.40	4,290.30	4,407.90					26.70	798.30	694.20
O-3	2,343.30	2,619.90	2,801.10	3,099.00	3,247.50	3,363.60	3,546.00	3,721.20	3,812.40							22.20	660.60	556.50
O-2	2,043.60	2,231.70	2,681.10	2,771.40	2,828.70											17.70	564.00	441.30
O-1	1,774.20	1,846.50	2,231.70													13.20	504.30	371.70
O-3E 3/				3,099.00	3,247.50	3,363.60	3,546.00	3,721.20	3,868.80							22.20	709.80	600.90
O-2E 3/				2,771.40	2,828.70	2,918.40	3,070.80	3,188.10	3,275.40							17.70	640.50	510.60
O-1E 3/				2,231.70	2,384.10	2,471.70	2,561.70	2,650.50	2,771.40							13.20	591.90	439.20
W-5												4,074.60	4,228.80	4,351.20	4,534.50	25.20	770.70	705.30
W-4	2,387.40	2,561.70		2,619.90	2,739.30	2,859.90	2,979.90	3,188.10	3,336.30	3,453.60	3,546.00	3,660.30	3,782.70	3,900.60	4,077.60	25.20	706.50	626.40
W-3	2,169.90	2,353.80		2,384.10	2,412.00	2,588.40	2,739.30	2,828.70	2,918.40	3,005.70	3,099.00	3,219.90	3,336.30		3,453.60	20.70	647.40	526.50
W-2	1,900.50	2,056.20		2,115.90	2,231.70	2,353.80	2,443.20	2,532.60	2,619.90	2,712.00	2,801.10	2,889.00	3,005.70			15.90	595.50	467.40
W-1	1,583.40	1,815.30		1,967.10	2,056.20	2,144.40	2,231.70	2,323.50	2,412.00	2,501.70	2,588.40	2,681.10				13.80	515.10	391.50
E-9	While serving as the MCPO of the Navy, basic pay is $4,346.40.						2,777.40	2,839.80	2,904.00	2,970.90	3,037.50	3,096.00	3,258.60	3,385.50	3,576.00	18.60	678.30	514.50
E-8						2,328.90	2,396.10	2,458.80	2,522.70	2,589.60	2,648.40	2,713.50	2,873.10	3,000.90	3,193.50	15.30	625.20	427.20
E-7	1,626.30	1,755.60	1,820.10	1,884.30	1,948.50	2,010.60	2,074.80	2,139.60	2,236.20	2,299.80	2,363.40	2,394.30	2,555.10	2,682.30	2,873.10	12.00	580.50	403.50
E-6	1,398.90	1,524.90	1,588.20	1,655.70	1,718.10	1,779.90	1,845.30	1,940.10	2,001.30	2,065.80	2,097.00					9.90	536.40	365.10
E-5	1,227.60	1,336.20	1,401.00	1,462.20	1,558.20	1,621.80	1,685.70	1,748.10	1,779.90							8.70	482.40	336.90
E-4	1,144.80	1,209.30	1,280.40	1,379.10	1,433.70											8.10	419.40	293.10
E-3	1,079.10	1,137.90	1,183.20	1,230.30												7.80	390.30	287.40
E-2	1,038.30															7.20	371.70	233.40
E-1 4mos+	926.10															6.90	371.70	208.20
E-1 <4mos	856.80															6.90	371.70	208.20

Notes:

1. The basic pay shown in this table is without the cap. The actual amount of basic pay received is $9,225.00 per month.
2. While serving as the Chairman/Vice Chairman, JCS or CNO, basic pay is $11,502.60, regardless of years of service, but is limited to $9,225.00.
3. Officers with more than four years' active duty as enlisted/warrant officer.

* If no amount is under cumulative years of service/sea duty, the amount immediately to the left applies.

MONTHLY CAREER SEA PAY

	Cumulative Years of Sea Duty *																	
Pay Grade	1 or Less	Over 1	Over 2	Over 3	Over 4	Over 5	Over 6	Over 7	Over 8	Over 9	Over 10	Over 11	Over 12	Over 13	Over 14	Over 16	Over 18	Over 20
O-6				225.00	230.00		240.00	255.00	265.00	280.00	290.00		310.00		325.00	340.00	355.00	380.00
O-5				225.00				230.00	245.00	250.00	260.00	265.00			285.00	300.00	315.00	340.00
O-4				185.00	190.00	200.00	205.00	215.00	220.00		225.00		240.00		270.00	280.00	290.00	300.00
O-3				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		260.00	270.00	280.00	290.00
O-2				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		250.00	260.00	270.00	280.00
O-1				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		250.00	260.00	270.00	280.00
W-5	150.00				170.00	290.00	310.00				350.00	375.00	400.00		450.00		500.00	
W-4	150.00				170.00	290.00	310.00				350.00	375.00	400.00		450.00		500.00	
W-3	150.00				170.00	270.00	280.00	285.00	290.00	310.00	350.00	375.00	400.00		425.00		450.00	
W-2	150.00				170.00	260.00	265.00		270.00	310.00	340.00		375.00		400.00			
W-1	130.00	135.00	140.00	150.00	170.00	175.00	200.00	250.00	270.00	300.00	325.00		340.00		360.00	375.00		
E-9	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	520.00		
E-8	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	500.00	520.00	
E-7	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	500.00		
E-6	100.00		120.00	150.00	170.00	315.00	325.00	350.00		365.00			380.00	395.00	410.00	425.00	450.00	
E-5	50.00	60.00	120.00	150.00	170.00	315.00	325.00	350.00										
E-4	50.00	60.00	120.00	150.00	160.00													

BASIC PAY - Effective January 1, 1999

	Cumulative Years of Service 1/															BASIC ALLOWANCE FOR HOUSING TYPE II		
Pay Grade	Under 2	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26	Partial	With Dependent	Without Dependent
O-10 1/ & 2/	7,838.70	8,114.40				8,425.80		8,892.60		9,528.90		10,167.00			10,800.00	50.70	1,081.20	878.40
O-9 1/	6,947.10	7,129.20	7,281.00			7,466.10		7,776.90		8,425.80		8,892.60			9,528.90	50.70	1,081.20	878.40
O-8	6,292.20	6,481.20	6,634.50			7,129.20		7,466.10		7,776.90	8,114.40	8,425.80	8,633.70			50.70	1,081.20	878.40
O-7	5,228.40	5,583.90			5,834.40		6,172.50		6,481.20	7,129.20	7,619.70					50.70	1,081.20	878.40
O-6	3,875.10	4,257.30	4,536.60						4,690.80	5,432.40	5,709.60	5,834.40	6,172.50	6,381.00	6,694.20	39.60	973.50	805.80
O-5	3,099.60	3,639.30	3,891.00				4,008.00	4,224.30	4,507.50	4,845.00	5,122.20	5,277.90	5,462.40			33.00	938.40	776.10
O-4	2,612.40	3,181.20	3,393.30		3,456.30	3,608.70	3,855.30	4,071.90	4,257.30	4,444.80	4,566.60					26.70	827.10	719.10
O-3	2,427.60	2,714.10	2,901.90	3,210.60	3,364.50	3,484.80	3,673.80	3,855.30	3,949.50							22.20	684.30	576.60
O-2	2,117.10	2,312.10	2,777.70	2,871.30	2,930.40											17.70	584.40	457.20
O-1	1,838.10	1,913.10	2,312.10													13.20	522.60	385.20
O-3E 3/				3,210.60	3,364.50	3,484.80	3,673.80	3,855.30	4,008.00							22.20	735.30	622.50
O-2E 3/				2,871.30	2,930.40	3,023.40	3,181.20	3,303.00	3,393.30							17.70	663.60	528.90
O-1E 3/				2,312.10	2,469.90	2,560.80	2,653.80	2,745.90	2,871.30							13.20	613.20	455.10
W-5												4,221.30	4,380.90	4,507.80	4,697.70	25.20	798.30	730.80
W-4	2,473.20	2,653.80		2,714.10	2,838.00	2,962.80	3,087.30	3,303.00	3,456.30	3,577.80	3,673.80	3,792.00	3,918.90	4,041.00	4,224.30	25.20	732.00	648.90
W-3	2,247.90	2,438.40		2,469.90	2,498.70	2,681.70	2,838.00	2,930.40	3,023.40	3,114.00	3,210.60	3,335.70	3,456.30		3,577.80	20.70	670.80	545.40
W-2	1,968.90	2,130.30		2,192.10	2,312.10	2,438.40	2,531.10	2,623.80	2,714.10	2,809.50	2,901.90	2,993.10	3,114.00			15.90	616.80	484.20
W-1	1,640.40	1,880.70		2,037.90	2,130.30	2,221.50	2,312.10	2,407.20	2,498.70	2,591.70	2,681.70	2,777.70				13.80	533.70	405.60
E-9 4/							2,877.30	2,942.10	3,008.40	3,078.00	3,147.00	3,207.60	3,375.90	3,507.30	3,704.70	18.60	702.60	533.10
E-8						2,412.60	2,482.50	2,547.30	2,613.60	2,682.90	2,743.80	2,811.30	2,976.60	3,108.90	3,308.40	15.30	647.70	442.50
E-7	1,684.80	1,818.90	1,885.50	1,952.10	2,018.70	2,082.90	2,149.50	2,216.70	2,316.60	2,382.60	2,448.60	2,480.40	2,647.20	2,778.90	2,976.60	12.00	601.50	417.90
E-6	1,449.30	1,579.80	1,645.50	1,715.40	1,779.90	1,844.10	1,911.60	2,010.00	2,073.30	2,140.20	2,172.60					9.90	555.60	378.30
E-5	1,271.70	1,384.20	1,451.40	1,514.70	1,614.30	1,680.30	1,746.30	1,811.10	1,844.10							8.70	499.80	348.90
E-4	1,185.90	1,252.80	1,326.60	1,428.60	1,485.30											8.10	434.40	303.60
E-3	1,117.80	1,179.00	1,225.80	1,274.70												7.80	404.40	297.60
E-2	1,075.80															7.20	385.20	241.80
E-1 4mos+	959.40															6.90	385.20	215.70
E-1 <4mos	887.70															6.90	385.20	215.70

Notes:

1. The basic pay shown in this table is without the cap. The actual amount of basic pay received is $9,225.00 per month.
2. While serving as the Chairman/Vice Chairman, JCS, Chief of Staff of the Army or Force, Chief of Naval Operations, or Commandant of the Marine Corps, basic pay is $11,916.60, regardless of years of service, but is limited to $9,225.00.
3. Officers with more than four years' active duty as enlisted/warrant officer.
4. While serving as the Sergeant Major of the Army or Marine Corps, Master Chief Petty Officer of the Navy or Coast Guard, or Chief Master Sergeant of the Air Force, basic pay is $4,503.00 per month regardless of years of service.

MONTHLY CAREER SEA PAY

	Cumulative Years of Sea Duty 1/																	
Pay Grade	1 or Less	Over 1	Over 2	Over 3	Over 4	Over 5	Over 6	Over 7	Over 8	Over 9	Over 10	Over 11	Over 12	Over 13	Over 14	Over 16	Over 18	Over 20
O-6				225.00	230.00		240.00	255.00	265.00	280.00	290.00		310.00		325.00	340.00	355.00	380.00
O-5				225.00				230.00	245.00	250.00	260.00	265.00			285.00	300.00	315.00	340.00
O-4				185.00	190.00	200.00	205.00	215.00	220.00		225.00		240.00		270.00	280.00	290.00	300.00
O-3				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		260.00	270.00	280.00	290.00
O-2				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		250.00	260.00	270.00	280.00
O-1				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		250.00	260.00	270.00	280.00
W-5	150.00				170.00	290.00	310.00				350.00	375.00	400.00		450.00		500.00	
W-4	150.00				170.00	290.00	310.00				350.00	375.00	400.00		450.00		500.00	
W-3	150.00				170.00	270.00	280.00	285.00	290.00	310.00	350.00	375.00	400.00		425.00		450.00	
W-2	150.00				170.00	260.00	265.00		270.00	310.00	340.00		375.00		400.00			
W-1	130.00	135.00	140.00	150.00	170.00	175.00	200.00	250.00	270.00	300.00	325.00		340.00		360.00	375.00		
E-9	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	520.00		
E-8	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	500.00	520.00	
E-7	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	500.00		
E-6	100.00		120.00	150.00	170.00	315.00	325.00	350.00		365.00			380.00	395.00	410.00	425.00	450.00	
E-5	50.00	60.00	120.00	150.00	170.00	315.00	325.00	350.00										
E-4	50.00	60.00	120.00	150.00	160.00													

BASIC PAY - Effective January 1, 2000

Pay Grade	Under 2	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26	Basic Allowance for Housing (BAH-II &Diff) With Dependent	Without Dependent	BAH DIFF
	Cumulative Years of Service																	
O-10 1/ & 2/	8,214.90	8,503.80				8,830.20		9,319.50		9,986.40		10,655.10 2/			11,318.40 2/	1,113.60	904.80	212.40
O-9 1/ & 2/	7,280.70	7,471.50	7,630.50			7,824.60		8,150.10		8,830.20		9,319.50			9,986.40	1,113.60	904.80	212.40
O-8 2/	6,594.30	6,792.30	6,953.10			7,471.50		7,824.60		8,150.10	8,503.80	8,830.20	9,048.00			1,113.60	904.80	212.40
O-7 2/	5,479.50	5,851.80			6,114.60		6,468.90		6,792.30	7,471.50	7,985.40					1,113.60	904.80	212.40
O-6 2/	4,061.10	4,461.60	4,754.40						4,916.10	5,693.10	5,983.80	6,114.60	6,468.90	6,687.30	7,015.50	1,002.60	830.10	175.80
O-5 2/	3,248.40	3,813.90	4,077.90				4,200.30	4,427.10	4,723.80	5,077.50	5,368.20	5,531.10	5,724.60			966.60	799.50	170.10
O-4 2/	2,737.80	3,333.90	3,556.20		3,622.20	3,781.80	4,040.40	4,267.50	4,461.60	4,658.10	4,785.90					852.00	740.70	113.10
O-3 2/	2,544.00	2,844.30	3,041.10	3,364.80	3,525.90	3,652.20	3,850.20	4,040.40	4,139.10							704.70	594.00	112.80
O-2 2/	2,218.80	2,423.10	2,910.90	3,009.00	3,071.10											601.80	471.00	133.20
O-1 2/	1,926.30	2,004.90	2,423.10													538.20	396.90	144.00
O-3E 2/ & 3/				3,364.80	3,525.90	3,652.20	3,850.20	4,040.40	4,200.30							757.50	641.10	118.20
O-2E 2/ & 3/				3,009.00	3,071.10	3,168.60	3,333.90	3,461.40	3,556.20							683.40	544.80	141.30
O-1E 2/ & 3/				2,423.10	2,588.40	2,683.80	2,781.30	2,877.60	3,009.00							631.50	468.90	165.60
W-5 2/												4,423.80	4,591.20	4,724.10	4,923.30	822.30	752.70	70.80
W-4 2/	2,592.00	2,781.30		2,844.30	2,974.20	3,105.00	3,235.50	3,461.40	3,622.20	3,749.40	3,850.20	3,974.10	4,107.00	4,235.10	4,427.10	753.90	668.40	87.00
W-3 2/	2,355.90	2,555.40		2,588.40	2,618.70	2,810.40	2,974.20	3,071.10	3,168.60	3,263.40	3,364.80	3,495.90	3,622.20		3,749.40	690.90	561.90	131.40
W-2 2/	2,063.40	2,232.60		2,297.40	2,423.10	2,555.40	2,652.60	2,749.80	2,844.30	2,944.50	3,041.10	3,136.80	3,263.40			635.40	498.60	138.90
W-1 2/	1,719.00	1,971.00		2,135.70	2,232.60	2,328.00	2,423.10	2,522.70	2,618.70	2,716.20	2,810.40	2,910.90				549.60	417.90	134.10
E-9 2/ & 4/							3,015.30	3,083.40	3,152.70	3,225.60	3,298.20	3,361.50	3,537.90	3,675.60	3,882.60	723.60	549.00	177.60
E-8 2/						2,528.40	2,601.60	2,669.70	2,739.00	2,811.60	2,875.50	2,946.30	3,119.40	3,258.00	3,467.10	667.20	504.00	165.90
E-7 2/	1,765.80	1,906.20	1,976.10	2,045.70	2,115.60	2,182.80	2,252.70	2,323.20	2,427.90	2,496.90	2,566.20	2,599.50	2,774.40	2,912.40	3,119.40	619.50	430.50	192.30
E-6 2/	1,518.90	1,655.70	1,724.40	1,797.60	1,865.40	1,932.60	2,003.40	2,106.60	2,172.90	2,242.80	2,277.00					572.40	389.70	185.70
E-5 2/	1,332.60	1,450.50	1,521.00	1,587.30	1,691.70	1,761.00	1,830.00	1,898.10	1,932.60							514.80	359.40	158.10
E-4 2/	1,242.90	1,312.80	1,390.20	1,497.30	1,556.70											447.30	312.60	137.10
E-3 2/	1,171.50	1,235.70	1,284.60	1,335.90												416.40	306.60	111.90
E-2 2/	1,127.40															396.90	249.00	150.30
E-1 4mos+ 2/	1,005.60															396.90	222.30	177.60
E-1 <4mos 2/	930.30															396.90	222.30	177.60
Cadets/Mid-shipmen	600.00																	

Notes:

1. While serving as Chairman/Vice Chairman JCS, CNO, CMC, CS of the Army or Air Force basic pay is $12,488.70 (See note 2).
2. Basic pay for an O-7 to O-10 is limited by Level III of the Executive Schedule which is $10,850.10. Basic pay for O-6 and below is limited by Level V of the Executive Schedule which is $9,541.80.
3. Applicable to commissioned officers with more than 4 years of active duty as a warrant and/or enlisted member.
4. For the MCPO of the Navy, CMSgt of the AF, Sergeant Major of the Army or Marine Corps, basic pay is $4,719.00. Combat Zone Tax Exclusion for O-1 & above is based on this basic pay rate plus the amount of HFP/IDP.

MONTHLY CAREER SEA PAY

Cumulative Years of Sea Duty

Pay Grade	1 or Less	Over 1	Over 2	Over 3	Over 4	Over 5	Over 6	Over 7	Over 8	Over 9	Over 10	Over 11	Over 12	Over 13	Over 14	Over 16	Over 20
O-6				225.00	230.00		240.00	255.00	265.00	280.00	290.00		310.00		325.00	340.00	380.00
O-5				225.00				230.00	245.00	250.00	260.00	265.00			285.00	300.00	340.00
O-4				185.00	190.00	200.00	205.00	215.00	220.00		225.00		240.00		270.00	280.00	300.00
O-3				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		260.00	270.00	290.00
O-2				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		250.00	260.00	280.00
O-1				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		250.00	260.00	280.00
W-4 & W-5	150.00				170.00	290.00	310.00				350.00	375.00	400.00		450.00		
W-3	150.00				170.00	270.00	280.00	285.00	290.00	310.00	350.00	375.00	400.00		425.00		
W-2	150.00				170.00	260.00	265.00		270.00	310.00	340.00		375.00		400.00		
W-1	130.00	135.00	140.00	150.00	170.00	175.00	200.00	250.00	270.00	300.00	325.00		340.00		360.00	375.00	
E-9	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	520.00	
E-7 & E-8	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	500.00	
E-6	100.00		120.00	150.00	170.00	315.00	325.00	350.00		365.00			380.00	395.00	410.00	425.00	
E-5	50.00	60.00	120.00	150.00	170.00	315.00	325.00	350.00									
E-4	50.00	60.00	120.00	150.00	160.00												

BASIC PAY - Effective January 1, 2001

Cumulative Years of Service

Pay Grade	Under 2	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26
O-10 1/ & 2/	8,518.80	8,818.50				9,156.90		9,664.20		10,356.00		11,049.30	11,103.90	11,334.60	11,737.20
O-9 1/ & 2/	7,550.10	7,747.80	7,912.80			8,114.10		8,451.60		9,156.90		9,664.20	9,803.40	10,004.70	10,356.00
O-8 2/	6,838.20	7,062.30	7,210.50	7,252.20	7,437.30	7,747.80	7,819.80	8,114.10	8,198.70	8,451.60	8,818.50	9,156.90	9,382.80		
O-7 2/	5,682.30	6,068.40		6,112.50	6,340.80	6,514.50	6,715.50	6,915.90	7,116.90	7,747.80	8,280.90				8,322.60
O-6 2/	4,211.40	4,626.60	4,930.20		4,949.10	5,160.90	5,189.10		5,360.70	6,005.40	6,311.40	6,617.40	6,791.40	6,967.80	7,309.80
O-5 2/	3,368.70	3,954.90	4,228.80	4,280.40	4,450.50		4,584.30	4,831.80	5,155.80	5,481.60	5,637.00	5,790.30	5,964.60		
O-4 2/	2,839.20	3,457.20	3,687.90	3,739.50	3,953.40	4,127.70	4,409.70	4,629.30	4,781.70	4,935.00	4,986.60				
O-3 2/	2,638.20	2,991.00	3,228.00	3,489.30	3,656.40	3,839.70	3,992.70	4,189.80	4,292.10						
O-2 2/	2,301.00	2,620.80	3,018.60	3,120.30	3,184.80										
O-1 2/	1,997.70	2,079.00	2,512.80												
O-3E 2/ & 3/				3,489.30	3,656.40	3,839.70	3,992.70	4,189.80	4,355.70	4,450.50	4,580.40				
O-2E 2/ & 3/				3,120.30	3,184.80	3,285.90	3,457.20	3,589.50	3,687.90						
O-1E 2/ & 3/				2,512.80	2,684.10	2,783.10	2,884.20	2,984.10	3,120.30						
W-5 2/												4,640.70	4,800.00	4,959.90	5,120.10
W-4 2/	2,688.00	2,891.70	2,974.80	3,056.70	3,197.40	3,336.30	3,477.00	3,614.10	3,756.30	3,892.50	4,032.00	4,168.20	4,309.50	4,448.40	4,590.90
W-3 2/	2,443.20	2,649.90		2,684.10	2,793.90	2,919.00	3,084.30	3,184.80	3,294.60	3,420.30	3,545.10	3,669.90	3,794.70	3,919.80	4,045.20
W-2 2/	2,139.60	2,315.10		2,391.00	2,512.80	2,649.90	2,750.70	2,851.50	2,949.60	3,058.20	3,169.50	3,280.80	3,391.80	3,503.40	
W-1 2/	1,782.60	2,043.90		2,214.60	2,315.10	2,419.20	2,523.30	2,626.80	2,731.50	2,835.90	2,940.00	3,018.60			
E-9 2/ & 4/							3,126.90	3,197.40	3,287.10	3,392.40	3,498.00	3,601.80	3,742.80	3,882.60	4,060.80
E-8 2/						2,622.00	2,697.90	2,768.40	2,853.30	2,945.10	3,041.10	3,138.00	3,278.10	3,417.30	3,612.60
E-7 2/	1,831.20	1,999.20	2,075.10	2,149.80	2,227.20	2,303.10	2,379.00	2,454.90	2,529.60	2,607.00	2,683.80	2,758.80	2,890.80	3,034.50	3,250.50
E-6 2/	1,575.00	1,740.30	1,817.40	1,891.80	1,969.50	2,046.00	2,122.80	2,196.90	2,272.50	2,327.70	2,367.90		2,370.30		
E-5 2/	1,381.80	1,549.20	1,623.90	1,701.00	1,777.80	1,855.80	1,930.50	2,007.90							
E-4 2/	1,288.80	1,423.80	1,500.60	1,576.20	1,653.00										
E-3 2/	1,214.70	1,307.10	1,383.60	1,385.40											
E-2 2/	1,169.10														
E-1 4mos+ 2/	1,042.80														
E-1 <4mos 2/	964.80														
Cadets/Mid-shipmen	600.00														

Notes:

1. While serving as JCS/Vice JCS, CNO, CMC, Army/Air Force CS, basic pay is $12,950.70 (See note 2).
2. Basic pay for an O-7 to O-10 is limited by Level III of the Executive Schedule which is $11,141.70. Basic pay for O-6 and below is limited by Level V of the Executive Schedule which is $9,800.10.
3. Applicable to O-1 to O-3 with at least 4 years & 1 day of active duty as a warrant and/or enlisted member.
4. For the MCPO of the Navy, CMSgt of the AF, Sergeant Major of the Army or Marine Corps, basic pay is $4,893.60. Combat Zone Tax Exclusion for O-1 & above is based on this basic pay rate plus HFP/IDP.

Basic Allowance for Housing (BAH-II &Diff)

With Dependent	Without Dependent	BAH DIFF
1,152.60	936.60	223.50
1,152.60	936.60	223.50
1,152.60	936.60	223.50
1,152.60	936.60	223.50
1,037.70	859.20	184.80
1,000.50	827.40	178.80
881.70	766.50	118.80
729.30	614.70	118.50
622.80	487.50	140.10
557.10	410.70	151.50
783.90	663.60	124.50
707.40	564.00	148.80
653.70	485.40	174.30
851.10	779.10	74.40
780.30	691.80	91.50
715.20	581.70	138.00
657.60	516.00	145.80
568.80	432.60	141.00
748.80	568.20	186.60
690.60	521.70	174.60
641.10	445.50	202.20
592.50	403.20	195.30
532.80	372.00	166.20
462.90	323.40	144.00
431.10	317.40	117.60
410.70	257.70	158.10
410.70	230.10	186.60
410.70	230.10	186.60

MONTHLY CAREER SEA PAY

*Cumulative Years of Sea Duty **

Pay Grade	1 or Less	Over 1	Over 2	Over 3	Over 4	Over 5	Over 6	Over 7	Over 8	Over 9	Over 10	Over 11	Over 12	Over 13	Over 14	Over 16	Over 20
O-6				225.00	230.00		240.00	255.00	265.00	280.00	290.00		310.00		325.00	340.00	380.00
O-5				225.00				230.00	245.00	250.00	260.00	265.00			285.00	300.00	340.00
O-4				185.00	190.00	200.00	205.00	215.00	220.00		225.00		240.00		270.00	280.00	300.00
O-3				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		260.00	270.00	290.00
O-2				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		250.00	260.00	280.00
O-1				150.00	160.00	185.00	190.00	195.00	205.00	215.00	225.00		240.00		250.00	260.00	280.00
W-4 & W-5	150.00				170.00	290.00	310.00				350.00	375.00	400.00		450.00		
W-3	150.00				170.00	270.00	280.00	285.00	290.00	310.00	350.00	375.00	400.00		425.00		
W-2	150.00				170.00	260.00	265.00		270.00	310.00	340.00		375.00		400.00		
W-1	130.00	135.00	140.00	150.00	170.00	175.00	200.00	250.00	270.00	300.00	325.00		340.00		360.00	375.00	
E-9	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	520.00	
E-7 & E-8	100.00		120.00	175.00	190.00	350.00		375.00	390.00	400.00		410.00	420.00	450.00	475.00	500.00	
E-6	100.00		120.00	150.00	170.00	315.00	325.00	350.00		365.00			380.00	395.00	410.00	425.00	

BASIC PAY

Effective: January 1, 2002

	Cumulative Years of Service[5/]														
Pay Grade	Under 2	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26
O-10 1/ & 2/												11,601.90	11,659.20	11,901.30	12,324.00
O-9 1/ & 2/												10,147.50	10,293.60	10,504.80	10,873.80
O-8 2/	7,180.20	7,415.40	7,571.10	7,614.90	7,809.30	8,135.10	8,210.70	8,519.70	8,608.50	8,874.30	9,259.50	9,614.70			
O-7 2/	5,966.40	6,371.70	6,418.20	6,657.90	6,840.30	7,051.20	7,261.80	7,472.70	8,135.10	8,694.90	8,694.90				8,738.70
O-6 2/	4,422.00	4,857.90	5,176.80		5,196.60	5,418.90	5,448.60		5,628.60	6,305.70	6,627.00	6,948.30	7,131.00	7,316.10	7,675.20
O-5 2/	3,537.00	4,152.60	4,440.30	4,494.30		4,673.10	4,813.50	5,073.30	5,413.50	5,755.80	5,919.00	6,079.80	6,262.80		
O-4 2/	3,023.70	3,681.90	3,927.60	3,982.50	4,210.50	4,395.90	4,696.20	4,930.20	5,092.50	5,255.70	5,310.60				
O-3 2/	2,796.60	3,170.40	3,421.80	3,698.70	3,875.70	4,070.10	4,232.40	4,441.20	4,549.50						
O-2 2/	2,416.20	2,751.90	3,169.50	3,276.30	3,344.10										
O-1 2/	2,097.60	2,183.10	2,638.50												
O-3E 2/ & 3/				3,698.70	3,875.70	4,070.10	4,232.40	4,441.20	4,617.00	4,717.50	4,855.20				
O-2E 2/ & 3/				3,276.30	3,344.10	3,450.30	3,630.00	3,768.90	3,872.40						
O-1E 2/ & 3/				2,638.50	2,818.20	2,922.30	3,028.50	3,133.20	3,276.30						
W-5 2/												4,965.60	5,136.00	5,307.00	5,478.60
W-4 2/	2,889.60	3,108.60	3,198.00	3,285.90	3,437.10	3,586.50	3,737.70	3,885.30	4,038.00	4,184.40	4,334.40	4,480.80	4,632.60	4,782.00	4,935.30
W-3 2/	2,638.80	2,862.00		2,898.90	3,017.40	3,152.40	3,330.90	3,439.50	3,558.30	3,693.90	3,828.60	3,963.60	4,098.30	4,233.30	4,368.90
W-2 2/	2,321.40	2,454.00	2,569.80	2,654.10	2,726.40	2,875.20	2,984.40	3,093.90	3,200.40	3,318.00	3,438.90	3,559.80	3,680.10	3,801.30	
W-1 2/	2,049.90	2,217.60	2,330.10	2,402.70	2,511.90	2,624.70	2,737.80	2,850.00	2,963.70	3,077.10	3,189.90	3,275.10			
E-9 2/ & 4/							3,423.90	3,501.30	3,599.40	3,714.60	3,830.40	3,944.10	4,098.30	4,251.30	4,467.00
E-8 2/						2,858.10	2,940.60	3,017.70	3,110.10	3,210.30	3,314.70	3,420.30	3,573.00	3,724.80	3,937.80
E-7 2/	1,986.90	2,169.00	2,251.50	2,332.50	2,417.40	2,562.90	2,645.10	2,726.40	2,808.00	2,892.60	2,975.10	3,057.30	3,200.40	3,292.80	3,526.80
E-6 2/	1,701.00	1,870.80	1,953.60	2,033.70	2,117.40	2,254.50	2,337.30	2,417.40	2,499.30	2,558.10	2,602.80				
E-5 2/	1,561.50	1,665.30	1,745.70	1,828.50	1,912.80	2,030.10	2,110.20	2,193.30							
E-4 2/	1,443.60	1,517.70	1,599.60	1,680.30	1,752.30										
E-3 2/	1,303.50	1,385.40	1,468.50												
E-2 2/	1,239.30														
E-1 (4mos +)	1,105.50														
E-1 (<4 mos)	1,022.70														
Cadets/Mid-shipmen	734.10														

NOTES:

1. While serving as JCS/Vice JCS, CNO, CMC, Army/Air Force CS, basic pay is $13,598.10 (See note 2).
2. Basic pay for an O-7 to O-10 is limited by Level III of the Executive Schedule which is $11,516.70. Basic pay for for O-6 and below is limited by Level V of the Executive Schedule which is $10,133.40.
3. Applicable to O-1 to O-3 with at least 4 years & 1 day of active duty as a warrant and/or enlisted member.
4. For the MCPO of the Navy, CMSgt of the AF, Sergeant Major of the Army or Marine Corps, basic pay is $5,382.90. Combat Zone Tax Exclusion for O-1 and above is based on this basic pay rate plus HFP/IDP.
5. If there is no amount under cumulative years of service the immediately to the left applies.

BASIC PAY—EFFECTIVE JANUARY 1, 2003[1/]

Pay Grade	Cumulative Years of Service: 2 or less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26
O-10[2/]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,077.70	12,137.10	12,389.40	12,829.20
O-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,563.60	10,715.70	10,935.60	11,319.60
O-8	7,474.50	7,719.30	7,881.60	7,927.20	8,129.40	8,468.70	8,547.30	8,868.90	8,961.30	9,238.20	9,639.00	10,008.90	10,255.80	10,255.80	10,255.80
O-7	6,210.90	6,499.20	6,633.00	6,739.20	6,930.90	7,120.80	7,340.40	7,559.40	7,779.00	8,468.70	9,051.30	9,051.30	9,051.30	9,051.30	9,096.90
O-6	4,603.20	5,057.10	5,388.90	5,388.90	5,409.60	5,641.20	5,672.10	5,672.10	5,994.60	6,564.30	6,898.80	7,233.30	7,423.50	7,616.10	7,989.90
O-5	3,837.60	4,323.00	4,622.40	4,678.50	4,864.80	4,977.00	5,222.70	5,403.00	5,635.50	5,991.90	6,161.70	6,329.10	6,519.60	6,519.60	6,519.60
O-4	3,311.10	3,832.80	4,088.70	4,145.70	4,383.00	4,637.70	4,954.50	5,201.40	5,372.70	5,471.10	5,528.40	5,528.40	5,528.40	5,528.40	5,528.40
O-3	2,911.20	3,300.30	3,562.20	3,883.50	4,069.50	4,273.50	4,405.80	4,623.30	4,736.10	4,736.10	4,736.10	4,736.10	4,736.10	4,736.10	4,736.10
O-2	2,515.20	2,864.70	3,299.40	3,410.70	3,481.20	3,481.20	3,481.20	3,481.20	3,481.20	3,481.20	3,481.20	3,481.20	3,481.20	3,481.20	3,481.20
O-1	2,183.70	2,272.50	2,746.80	2,746.80	2,746.80	2,746.80	2,746.80	2,746.80	2,746.80	2,746.80	2,746.80	2,746.80	2,746.80	2,746.80	2,746.80
O-3E[3/]	0.00	0.00	0.00	3,883.50	4,069.50	4,273.50	4,405.80	4,623.30	4,806.30	4,911.00	5,054.40				
O-2E[3/]	0.00	0.00	0.00	3,410.70	3,481.20	3,591.90	3,778.80	3,923.40	4,031.10	4,031.10	4,031.10				
O-1E[3/]	0.00	0.00	0.00	2,746.80	2,933.70	3,042.00	3,152.70	3,261.60	3,410.70	3,410.70	3,410.70				
W-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,169.30	5,346.60	5,524.50	5,703.30
W-4	3,008.10	3,236.10	3,329.10	3,420.60	3,578.10	3,733.50	3,891.00	4,044.60	4,203.60	4,356.00	4,512.00	4,664.40	4,822.50	4,978.20	5,137.50
W-3	2,747.10	2,862.00	2,979.30	3,017.70	3,141.00	3,281.70	3,467.40	3,580.50	3,771.90	3,915.60	4,058.40	4,201.50	4,266.30	4,407.00	4,548.00
W-2	2,416.50	2,554.50	2,675.10	2,763.00	2,838.30	2,993.10	3,148.50	3,264.00	3,376.50	3,453.90	3,579.90	3,705.90	3,831.00	3,957.30	3,957.30
W-1	2,133.90	2,308.50	2,425.50	2,501.10	2,662.50	2,782.20	2,888.40	3,006.90	3,085.20	3,203.40	3,320.70	3,409.50	3,409.50	3,409.50	3,409.50
E-9[4/]	0.00	0.00	0.00	0.00	0.00	0.00	3,564.30	3,645.00	3,747.00	3,867.00	3,987.30	4,180.80	4,344.30	4,506.30	4,757.40
E-8	0.00	0.00	0.00	0.00	0.00	2,975.40	3,061.20	3,141.30	3,237.60	3,342.00	3,530.10	3,625.50	3,787.50	3,877.50	4,099.20
E-7	2,068.50	2,257.80	2,343.90	2,428.20	2,516.40	2,667.90	2,753.40	2,838.30	2,990.40	3,066.30	3,138.60	3,182.70	3,331.50	3,427.80	3,671.40
E-6	1,770.60	1,947.60	2,033.70	2,117.10	2,204.10	2,400.90	2,477.40	2,562.30	2,636.70	2,663.10	2,709.60	2,709.60	2,709.60	2,709.60	2,709.60
E-5	1,625.40	1,733.70	1,817.40	1,903.50	2,037.00	2,151.90	2,236.80	2,283.30	2,283.30	2,283.30	2,283.30	2,283.30	2,283.30	2,283.30	2,283.30
E-4	1,502.70	1,579.80	1,665.30	1,749.30	1,824.00										
E-3	1,356.90	1,442.10	1,528.80	1,528.80	1,528.80										
E-2	1,290.00	1,290.00	1,290.00	1,290.00	1,290.00										
E-1 4 mos +	1,150.80	1,150.80	1,150.80	1,150.80	1,150.80										
E-1 -4 mos	1,064.70														

NOTES:

1. While serving as JCS/Vice JCS, CNO, CMC, Army/Air Force CS, basic pay is $14,155.50 (See note 2).
2. Basic pay for an O-7 to O-10 is limited by Level III of the Executive Schedule which is $11,874.90. Basic pay for O-6 and below is limited by Level V of the Executive Schedule which is $10,449.90.
3. Applicable to O-1 to O-3 with at least 4 years & 1 day of active duty as a warrant and/or enlisted member.
4. For the MCPO of the Navy, CMSgt of the AF, Sergeant Major of the Army or Marine Corps, basic pay is $5,732.70. Combat Zone Tax Exclusion for O-1 and above is based on this basic pay rate plus HFP/IDP.

BASIC PAY—EFFECTIVE JANUARY 1, 2004[1]

Pay Grade	2 or less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26
	Cumulative Years of Service														
O-10[2]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12524.70	12586.20	12847.80	13303.80
O-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10954.50	11112.30	11340.30	11738.40
O-8	7751.10	8004.90	8173.20	8220.60	8430.30	8781.90	8863.50	9197.10	9292.80	9579.90	9995.70	10379.10	10635.30	10635.30	10635.30
O-7	6440.70	6739.80	6878.40	6988.50	7187.40	7384.20	7611.90	7839.00	8066.70	8781.90	9386.10	9386.10	9386.10	9386.10	9433.50
O-6	4773.60	5244.30	5588.40	5588.40	5609.70	5850.00	5882.10	5882.10	6216.30	6807.30	7154.10	7500.90	7698.30	7897.80	8285.40
O-5	3979.50	4482.90	4793.40	4851.60	5044.80	5161.20	5415.90	5602.80	5844.00	6213.60	6389.70	6563.40	6760.80	6760.80	6760.80
O-4	3433.50	3974.70	4239.90	4299.00	4545.30	4809.30	5137.80	5394.00	5571.60	5673.60	5733.00	5733.00	5733.00	5733.00	5733.00
O-3	3018.90	3422.40	3693.90	4027.20	4220.10	4431.60	4568.70	4794.30	4911.30	4911.30	4911.30	4911.30	4911.30	4911.30	4911.30
O-2	2608.20	2970.60	3421.50	3537.00	3609.90	3609.90	3609.90	3609.90	3609.90	3609.90	3609.50	3609.50	3609.50	3609.50	3609.50
O-1	2264.40	2356.50	2848.50	2848.50	2848.50	2848.50	2848.50	2848.50	2848.50	2848.50	2848.50	2848.50	2848.50	2848.50	2848.50
O-3E[3]	0.00	0.00	0.00	4027.20	4220.10	4431.60	4568.70	4794.30	4984.20	5092.80	5241.30	5241.30	5241.30	5241.30	5241.30
O-2E[3]	0.00	0.00	0.00	3537.00	3609.90	3724.80	3918.60	4068.60	4180.20	4180.20	4180.20	4180.20	4180.20	4180.20	4180.20
O-1E[3]	0.00	0.00	0.00	2848.50	3042.30	3154.50	3269.40	3382.20	3537.00	3537.00	3537.00	3537.00	3537.00	3537.00	3537.00
W-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5360.70	5544.30	5728.80	5914.20
W-4	3119.40	3355.80	3452.40	3547.20	3710.40	3871.50	4035.00	4194.30	4359.00	4617.30	4782.60	4944.30	5112.00	5277.00	5445.90
W-3	2848.80	2967.90	3089.40	3129.30	3257.10	3403.20	3595.80	3786.30	3988.80	4140.60	4291.80	4356.90	4424.10	4570.20	4716.30
W-2	2505.90	2649.00	2774.10	2865.30	2943.30	3157.80	3321.60	3443.40	3562.20	3643.80	3712.50	3843.00	3972.60	4103.70	4103.70
W-1	2212.80	2394.00	2515.20	2593.50	2802.30	2928.30	3039.90	3164.70	3247.20	3321.90	3443.70	3535.80	3535.80	3535.80	3535.80
E-9[4]	0.00	0.00	0.00	0.00	0.00	0.00	3769.20	3854.70	3962.40	4089.30	4216.50	4421.10	4594.20	4776.60	5054.70
E-8	0.00	0.00	0.00	0.00	0.00	3085.50	3222.00	3306.30	3407.70	3517.50	3715.50	3815.70	3986.40	4081.20	4314.30
E-7	2145.00	2341.20	2430.60	2549.70	2642.10	2801.40	2891.10	2980.20	3139.80	3219.60	3295.50	3341.70	3498.00	3599.10	3855.00
E-6	1855.50	2041.20	2131.20	2218.80	2310.00	2516.10	2596.20	2685.30	2763.30	2790.90	2809.80	2809.80	2809.80	2809.80	2809.80
E-5	1700.10	1813.50	1901.10	1991.10	2130.60	2250.90	2339.70	2367.90	2367.90	2367.90	2367.90	2367.90	2367.90	2367.90	2367.90
E-4	1558.20	1638.30	1726.80	1814.10	1891.50										
E-3	1407.00	1495.50	1585.50	1585.50	1585.50										
E-2	1337.70	1337.70	1337.70	1337.70	1337.70										
E-1 4 mos +	1193.40	1193.40	1193.40	1193.40	1193.40										
E-1 -4 mos	1,104.00														

NOTES:

1. While serving as JCS/Vice JCS, CNO, CMC, Army/Air Force CS, basic pay is $14,634.20 (See note 2).
2. Basic pay for an O-7 to O-10 is limited by Level III of the Executive Schedule which is $12,050.00. Basic pay for O-6 and below is limited by Level V of the Executive Schedule which is $10,608.30
3. Applicable to O-1 to O-3 with at least 4 years & 1 day of active duty or 1460 points as a warrant and/or enlisted member. See DoDFMR for more detailed explanation on who is eligible for this special basic pay rate.
4. For the MCPO of the Navy, CMSgt of the AF, Sergeant Major of the Army or Marine Corps, basic pay is $6,090.90. Combat Zone Tax Exclusion for O-1 and above is based on this basic pay rate plus HFP/IDP which is $225.00.

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX B – DOD LIFE EXPECTANCY TABLE

THIS PAGE INTENTIONALLY LEFT BLANK

NONDISABILITY RETIRED LIFE EXPECTATIONS

AGE*	OFFICERS	ENLISTED	AGE*	OFFICERS	ENLISTED
35	49.26	45.36	75	11.13	9.49
36	48.22	44.32	76	10.47	8.95
37	47.17	43.29	77	9.82	8.44
38	46.13	42.25	78	9.20	7.95
39	45.09	41.21	79	8.60	7.48
40	44.04	40.17	80	8.02	7.03
41	43.00	39.14	81	7.46	6.61
42	41.96	38.09	82	6.93	6.21
43	40.92	37.05	83	6.42	5.83
44	39.87	36.01	84	5.94	5.47
45	38.83	34.96	85	5.48	5.13
46	37.78	33.92	86	5.06	4.81
47	36.74	32.89	87	4.66	4.51
48	35.70	31.85	88	4.29	4.23
49	34.65	30.83	89	3.94	3.96
50	33.61	29.81	90	3.62	3.71
51	32.57	28.79	91	3.32	3.48
52	31.52	27.78	92	3.04	3.25
53	30.49	26.78	93	2.79	3.04
54	29.46	25.79	94	2.55	2.85
55	28.44	24.82	95	2.34	2.65
56	27.43	23.86	96	2.15	2.47
57	26.43	22.93	97	1.98	2.28
58	25.45	22.00	98	1.83	2.11
59	24.48	21.10	99	1.69	1.96
60	23.52	20.22	100	1.56	1.82
61	22.58	19.35	101	1.45	1.70
62	21.65	18.50	102	1.34	1.58
63	20.73	17.68	103	1.24	1.46
64	19.83	16.87	104	1.14	1.36
65	18.95	16.09	105	1.06	1.26
66	18.08	15.33	106	1.00	1.19
67	17.23	14.59	107	0.98	1.15
68	16.40	13.87	108	0.94	1.08
69	15.58	13.18	109	0.83	0.91
70	14.79	12.51	110	0.50	0.50
71	14.01	11.86			
72	13.26	11.23			
73	12.53	10.63			
74	11.82	10.05			

*Age Nearest Birthday Male

Beginning with the Fiscal Year 2000 report, non-disability life expectations use future mortality improvement assumptions, which generally increase the life expectation.

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX C – TERA ACTUARIAL TABLE

THIS PAGE INTENTIONALLY LEFT BLANK

Length of service		
Years	Months	% of basic pay
15	0	35.625
15	1	35.854
15	2	36.084
15	3	36.314
15	4	36.544
15	5	36.775
15	6	37.006
15	7	37.238
15	8	37.469
15	9	37.702
15	10	37.934
15	11	38.167
16	0	38.400
16	1	38.634
16	2	38.867
16	3	39.102
16	4	39.336
16	5	39.571
16	6	39.806
16	7	40.042
16	8	40.278
16	9	40.514
16	10	40.751
16	11	40.988
17	0	41.225
17	1	41.463
17	2	41.701
17	3	41.939
17	4	42.178
17	5	42.417
17	6	42.656
17	7	42.896
17	8	43.136

17	9	43.377
17	10	43.617
17	11	43.859
18	0	44.100
18	1	44.342
18	2	44.584
18	3	44.827
18	4	45.069
18	5	45.313
18	6	45.556
18	7	45.800
18	8	46.044
18	9	46.289
18	10	46.534
18	11	46.779
19	0	47.025
19	1	47.271
19	2	47.517
19	3	47.764
19	4	48.011
19	5	48.259
19	6	48.506
19	7	48.754
19	8	49.003
19	9	49.252
19	10	49.501
19	11	49.750

Source: DoD Actuary

APPENDIX D – CHAPTER IV CALCULATIONS AND FORMULAS SPREADSHEET

THIS PAGE INTENTIONALLY LEFT BLANK

	A	B	C	D	E	F	G	H	I
1		discount rate	5%						
2									
3									
4		Table 6			Table 7			Table 8	
5		rate of inflation 1992	0.0301		rate of inflation 1993	0.0298		rate of inflation 1994	0.026
6		final monthly pay	$ 3,156		final monthly pay	$ 3,119		final monthly pay	$ 3,188
7		years of service	12		years of service	10		years of service	11
8		life	38.83		life	38.83		life	38.83
9		final retirement pay	$ 4,785		final retirement pay	$ 5,528		final retirement pay	$ 5,528
10		monthly retirement	$ 2,393		monthly retirement	$ 2,764		monthly retirement	$ 2,764
11		annual retirement	$ 28,710		annual retirement	$ 33,168		annual retirement	$ 33,168
12		VSI monthly	$ 11,362		VSI monthly	$ 9,357		VSI monthly	$ 10,520
13		VSI total	$ 136,339		VSI total	$ 93,570		VSI total	$ 115,724
14		SSB total	$ 68,170		SSB total	$ 56,142		SSB total	$ 63,122
15		retirement discount rate	-0.018952381		retirement discount rate	-0.019238095		retirement discount rate	-0.022857143
16		total retirement	$ 794,247		total retirement	$ 913,172		total retirement	$ 859,853
17		net savings to DOD	$ 657,908		net savings to DOD	$ 819,602		net savings to DOD	$ 744,129
18		Total	$ 238,162,669		Total	$ 314,727,030		Total	$ 185,288,046
19									
20									
21		Table 9			Table 10			Table 11	
22		rate of inflation 1995	0.0276		rate of inflation 1996	0.0296		rate of inflation 1997	0.0235
23		final monthly pay	$ 3,270		final monthly pay	$ 3,349		final monthly pay	$ 3,349
24		years of service	10		years of service	10		years of service	10
25		life	38.83		life	38.83		life	38.83
26		final retirement pay	$ 5,733		final retirement pay	$ 5,733		final retirement pay	$ 5,733
27		monthly retirement	$ 2,867		monthly retirement	$ 2,867		monthly retirement	$ 2,867
28		annual retirement	$ 34,398		annual retirement	$ 34,398		annual retirement	$ 34,398
29		VSI monthly	$ 9,810		VSI monthly	$ 10,047		VSI monthly	$ 10,047
30		VSI total	$ 98,100		VSI total	$ 100,470		VSI total	$ 100,470
31		SSB total	$ 58,860		SSB total	$ 60,282		SSB total	$ 60,282
32		retirement discount rate	-0.021333333		retirement discount rate	-0.019428571		retirement discount rate	-0.025238095
33		total retirement	$ 914,457		total retirement	$ 944,008		total retirement	$ 857,805
34		net savings to DOD	$ 816,357		net savings to DOD	$ 843,538		net savings to DOD	$ 757,335
35		Total	$ 166,536,901		Total	$ 88,571,473		Total	$ 94,666,861
36									
37									
38		Table 12			Table 13			Table 14	
39		rate of inflation 1992	0.0301		rate of inflation 1993	0.0298		rate of inflation 1994	0.026
40		final monthly pay	$ 1,430		final monthly pay	$ 1,427		final monthly pay	$ 1,516
41		years of service	10		years of service	9		years of service	11
42		life	40.17		life	40.17		life	40.17
43		final retirement pay	$ 3,057		final retirement pay	$ 3,341		final retirement pay	$ 3,183
44		monthly retirement	$ 1,529		monthly retirement	$ 1,671		monthly retirement	$ 1,592
45		annual retirement	$ 18,342		annual retirement	$ 20,046		annual retirement	$ 19,098
46		VSI monthly	$ 4,290		VSI monthly	$ 3,853		VSI monthly	$ 5,003
47		VSI total	$ 42,900		VSI total	$ 34,676		VSI total	$ 55,031
48		SSB total	$ 25,740		SSB total	$ 23,117		SSB total	$ 30,017
49		retirement discount rate	-0.018952381		retirement discount rate	-0.019238095		retirement discount rate	-0.022857143
50		total retirement	$ 519,076		total retirement	$ 564,493		total retirement	$ 505,486
51		net savings to DOD	$ 493,336		net savings to DOD	$ 541,376		net savings to DOD	$ 475,470
52		Total	$ 2,112,463,475		Total	$ 1,036,734,774		Total	$ 581,974,697
53									
54									
55		Table 15			Table 16			Table 17	
56		rate of inflation 1995	0.0276		rate of inflation 1996	0.0296		rate of inflation 1997	0.0235
57		final monthly pay	$ 1,496		final monthly pay	$ 3,349		final monthly pay	$ 3,449
58		years of service	9		years of service	10		years of service	10
59		life	40.17		life	38.83		life	38.83
60		final retirement pay	$ 3,342		final retirement pay	$ 5,733		final retirement pay	$ 5,733
61		monthly retirement	$ 1,671		monthly retirement	$ 2,867		monthly retirement	$ 2,867
62		annual retirement	$ 20,052		annual retirement	$ 34,398		annual retirement	$ 34,398
63		VSI monthly	$ 4,039		VSI monthly	$ 10,047		VSI monthly	$ 10,347
64		VSI total	$ 36,353		VSI total	$ 100,470		VSI total	$ 103,470
65		SSB total	$ 24,235		SSB total	$ 60,282		SSB total	$ 62,082
66		retirement discount rate	-0.021333333		retirement discount rate	-0.019428571		retirement discount rate	-0.025238095
67		total retirement	$ 544,663		total retirement	$ 944,008		total retirement	$ 857,805
68		net savings to DOD	$ 520,428		net savings to DOD	$ 883,726		net savings to DOD	$ 795,723
69		Total	$ 794,693,313		Total	$ 85,721,406		Total	$ 64,453,554
70									
71									
72									
73									
74									
75									
76									
77									
78									
79									

	A	B	C	D	E	F	G	H	I
80									
81									
82		Table 18			Table 19			Table 20	
83		rate of inflation 1992	0.0301		rate of inflation 1993	0.0298		rate of inflation 1994	0.026
84		final monthly pay	$ 3,234		final monthly pay	$ 1,817		final monthly pay	$ 1,799
85		years of service	17		years of service	17		years of service	15
86		life	38.83		life	40.17		life	40.17
87		final retirement pay	$ 4,066		final retirement pay	$ 2,261		final retirement pay	$ 2,480
88		monthly retirement	$ 2,033		monthly retirement	$ 1,131		monthly retirement	$ 1,240
89		annual retirement	$ 24,396		annual retirement	$ 13,566		annual retirement	$ 14,880
90		TERA actuary	41.225%		TERA actuary	41.225%		TERA actuary	35.625%
91		annual TERA retirement	$ 15,999		annual TERA retirement	$ 8,989		annual TERA retirement	$ 7,691
92		TERA total	$ 442,593		TERA total	$ 253,121		TERA total	$ 203,558
93		retirement discount rate	-0.018952381		retirement discount rate	-0.019238095		retirement discount rate	-0.022857143
94		total retirement	$ 674,903		total retirement	$ 382,017		total retirement	$ 393,844
95		net savings to DOD	$ 232,310		net savings to DOD	$ 128,896		net savings to DOD	$ 190,286
96		Total	$ 232,310		Total	$ 4,382,475		Total	$ 70,596,070
97									
98									
99		Table 21			Table 22			Table 23	
100		rate of inflation 1995	0.0276		rate of inflation 1996	0.0296		rate of inflation 1997	0.0235
101		final monthly pay	$ 1,846		final monthly pay	$ 1,951		final monthly pay	$ 2,009
102		years of service	15		years of service	17		years of service	16
103		life	40.17		life	40.17		life	40.17
104		final retirement pay	$ 2,600		final retirement pay	$ 2,480		final retirement pay	$ 2,759
105		monthly retirement	$ 1,300		monthly retirement	$ 1,240		monthly retirement	$ 1,380
106		annual retirement	$ 15,600		annual retirement	$ 14,880		annual retirement	$ 16,554
107		TERA actuary	35.625%		TERA actuary	41.225%		TERA actuary	38.400%
108		annual TERA retirement	$ 7,892		annual TERA retirement	$ 9,652		annual TERA retirement	$ 9,257
109		TERA total	$ 214,357		TERA total	$ 270,893		TERA total	$ 235,437
110		retirement discount rate	-0.021333333		retirement discount rate	-0.019428571		retirement discount rate	-0.025238095
111		total retirement	$ 423,735		total retirement	$ 417,639		total retirement	$ 421,003
112		net savings to DOD	$ 209,378		net savings to DOD	$ 146,746		net savings to DOD	$ 185,566
113		Total	$ 421,687,864		Total	$ 95,825,320		Total	$ 71,443,002

	A	B	C	D	E	F	G	H	I
1		discount rate	0.05						
2									
3									
4		Table 6			Table 7			Table 8	
5		rate of inflation 1992	0.0301		rate of inflation 1993	0.0298		rate of inflation 1994	0.026
6		final monthly pay	3156		final monthly pay	3119		final monthly pay	3188
7		years of service	12		years of service	10		years of service	11
8		life	38.83		life	38.83		life	38.83
9		final retirement pay	4785		final retirement pay	5528		final retirement pay	5528
10		monthly retirement	=0.5*C9		monthly retirement	=0.5*F9		monthly retirement	=0.5*I9
11		annual retirement	=12*C10		annual retirement	=12*F10		annual retirement	=12*I10
12		VSI monthly	=C6*C7*12*0.025		VSI monthly	=F6*F7*12*0.025		VSI monthly	=I6*I7*12*0.025
13		VSI total	=C12*C7		VSI total	=F12*F7		VSI total	=I12*I7
14		SSB total	=C6*C7*12*0.15		SSB total	=F6*F7*12*0.15		SSB total	=I6*I7*12*0.15
15		retirement discount rate	=((1+C5)/(1+$C$1))-1		retirement discount rate	=((1+F5)/(1+$C$1))-1		retirement discount rate	=((1+I5)/(1+$C$1))-1
16		total retirement	=FV(C15,C8,-C11)		total retirement	=FV(F15,F8,-F11)		total retirement	=FV(I15,I8,-I11)
17		net savings to DOD	=C16-C13		net savings to DOD	=F16-F13		net savings to DOD	=I16-I13
18		Total	=C17*362		Total	=F17*384		Total	=I17*249
19									
20									
21		Table 9			Table 10			Table 11	
22		rate of inflation 1995	0.0276		rate of inflation 1996	0.0296		rate of inflation 1997	0.0235
23		final monthly pay	3270		final monthly pay	3349		final monthly pay	3349
24		years of service	10		years of service	10		years of service	10
25		life	38.83		life	38.83		life	38.83
26		final retirement pay	5733		final retirement pay	5733		final retirement pay	5733
27		monthly retirement	=0.5*C26		monthly retirement	=0.5*F26		monthly retirement	=0.5*I26
28		annual retirement	=12*C27		annual retirement	=12*F27		annual retirement	=12*I27
29		VSI monthly	=C23*C24*12*0.025		VSI monthly	=F23*F24*12*0.025		VSI monthly	=I23*I24*12*0.025
30		VSI total	=C29*C24		VSI total	=F29*F24		VSI total	=I29*I24
31		SSB total	=C23*C24*12*0.15		SSB total	=F23*F24*12*0.15		SSB total	=I23*I24*12*0.15
32		retirement discount rate	=((1+C22)/(1+$C$1))-1		retirement discount rate	=((1+F22)/(1+$C$1))-1		retirement discount rate	=((1+I22)/(1+$C$1))-1
33		total retirement	=FV(C32,C25,-C28)		total retirement	=FV(F32,F25,-F28)		total retirement	=FV(I32,I25,-I28)
34		net savings to DOD	=C33-C30		net savings to DOD	=F33-F30		net savings to DOD	=I33-I30
35		Total	=C34*204		Total	=F34*105		Total	=I34*125
36									
37									
38		Table 12			Table 13			Table 14	
39		rate of inflation 1992	0.0301		rate of inflation 1993	0.0298		rate of inflation 1994	0.026
40		final monthly pay	1430		final monthly pay	1427		final monthly pay	1516
41		years of service	10		years of service	9		years of service	11
42		life	40.17		life	40.17		life	40.17
43		final retirement pay	3057		final retirement pay	3341		final retirement pay	3183
44		monthly retirement	=0.5*C43		monthly retirement	=0.5*F43		monthly retirement	=0.5*I43
45		annual retirement	=12*C44		annual retirement	=12*F44		annual retirement	=12*I44
46		VSI monthly	=C40*C41*12*0.025		VSI monthly	=F40*F41*12*0.025		VSI monthly	=I40*I41*12*0.025
47		VSI total	=C46*C41		VSI total	=F46*F41		VSI total	=I46*I41
48		SSB total	=C40*C41*12*0.15		SSB total	=F40*F41*12*0.15		SSB total	=I40*I41*12*0.15
49		retirement discount rate	=((1+C39)/(1+$C$1))-1		retirement discount rate	=((1+F39)/(1+$C$1))-1		retirement discount rate	=((1+I39)/(1+$C$1))-1
50		total retirement	=FV(C49,C42,-C45)		total retirement	=FV(F49,F42,-F45)		total retirement	=FV(I49,I42,-I45)
51		net savings to DOD	=C50-C48		net savings to DOD	=F50-F48		net savings to DOD	=I50-I48
52		Total	=C51*4282		Total	=F51*1915		Total	=I51*1224
53									
54									
55		Table 15			Table 16			Table 17	
56		rate of inflation 1995	0.0276		rate of inflation 1996	0.0296		rate of inflation 1997	0.0235
57		final monthly pay	1496		final monthly pay	3349		final monthly pay	3449
58		years of service	9		years of service	10		years of service	10
59		life	40.17		life	38.83		life	38.83
60		final retirement pay	3342		final retirement pay	5733		final retirement pay	5733
61		monthly retirement	=0.5*C60		monthly retirement	=0.5*F60		monthly retirement	=0.5*I60
62		annual retirement	=12*C61		annual retirement	=12*F61		annual retirement	=12*I61
63		VSI monthly	=C57*C58*12*0.025		VSI monthly	=F57*F58*12*0.025		VSI monthly	=I57*I58*12*0.025
64		VSI total	=C63*C58		VSI total	=F63*F58		VSI total	=I63*I58
65		SSB total	=C57*C58*12*0.15		SSB total	=F57*F58*12*0.15		SSB total	=I57*I58*12*0.15
66		retirement discount rate	=((1+C56)/(1+$C$1))-1		retirement discount rate	=((1+F56)/(1+$C$1))-1		retirement discount rate	=((1+I56)/(1+$C$1))-1
67		total retirement	=FV(C66,C59,-C62)		total retirement	=FV(F66,F59,-F62)		total retirement	=FV(I66,I59,-I62)
68		net savings to DOD	=C67-C65		net savings to DOD	=F67-F65		net savings to DOD	=I67-I65
69		Total	=C68*1527		Total	=F68*97		Total	=I68*81
70									
71									
72									
73									
74									
75									
76									
77									
78									
79									
80									
81									
82		Table 18			Table 19			Table 20	
83		rate of inflation 1992	0.0301		rate of inflation 1993	0.0298		rate of inflation 1994	0.026
84		final monthly pay	3234		final monthly pay	1817		final monthly pay	1799
85		years of service	17		years of service	17		years of service	15
86		life	38.83		life	40.17		life	40.17
87		final retirement pay	4066		final retirement pay	2261		final retirement pay	2480
88		monthly retirement	=0.5*C87		monthly retirement	=0.5*F87		monthly retirement	=0.5*I87
89		annual retirement	=12*C88		annual retirement	=12*F88		annual retirement	=12*I88
90		TERA actuary	0.41225		TERA actuary	0.41225		TERA actuary	0.35625
91		annual TERA retirement	=C84*12*C90		annual TERA retirement	=F84*12*F90		annual TERA retirement	=I84*12*I90
92		TERA total	=FV(C93,C86,-C91)		TERA total	=FV(F93,F86,-F91)		TERA total	=FV(I93,I86,-I91)
93		retirement discount rate	=((1+C83)/(1+$C$1))-1		retirement discount rate	=((1+F83)/(1+$C$1))-1		retirement discount rate	=((1+I83)/(1+$C$1))-1

	A	B	C	D	E	F	G	H	I
94		total retirement	=FV(C93,C86,-C89)		total retirement	=FV(F93,F86,-F89)		total retirement	=FV(I93,I86,-I89)
95		net savings to DOD	=C94-C92		net savings to DOD	=F94-F92		net savings to DOD	=I94-I92
96		Total	=C95*1		Total	=F95*34		Total	=I95*371
97									
98									
99		Table 21			Table 22			Table 23	
100		rate of inflation 1995	0.0276		rate of inflation 1996	0.0296		rate of inflation 1997	0.0235
101		final monthly pay	1846		final monthly pay	1951		final monthly pay	2009
102		years of service	15		years of service	17		years of service	16
103		life	40.17		life	40.17		life	40.17
104		final retirement pay	2600		final retirement pay	2480		final retirement pay	2759
105		monthly retirement	=0.5*C104		monthly retirement	=0.5*F104		monthly retirement	=0.5*I104
106		annual retirement	=12*C105		annual retirement	=12*F105		annual retirement	=12*I105
107		TERA actuary	0.35625		TERA actuary	0.41225		TERA actuary	0.384
108		annual TERA retirement	=C101*12*C107		annual TERA retirement	=F101*12*F107		annual TERA retirement	=I101*12*I107
109		TERA total	=FV(C110,C103,-C108)		TERA total	=FV(F110,F103,-F108)		TERA total	=FV(I110,I103,-I108)
110		retirement discount rate	=((1+C100)/(1+$C$1))-1		retirement discount rate	=((1+F100)/(1+$C$1))-1		retirement discount rate	=((1+I100)/(1+$C$1))-1
111		total retirement	=FV(C110,C103,-C106)		total retirement	=FV(F110,F103,-F106)		total retirement	=FV(I110,I103,-I106)
112		net savings to DOD	=C111-C109		net savings to DOD	=F111-F109		net savings to DOD	=I111-I109
113		Total	=C112*2014		Total	=F112*653		Total	=I112*385

LIST OF REFERENCES

1. Dolan, Matthew. "Navy Begins Downsizing," *The Virginian Pilot,* January 25, 2004.

2. Troxell, John F., *Force Planning in an Era of Uncertainty: Two MRCs as a Force Sizing Framework,* Carlisle Barracks: Strategic Studies Institute, U.S. Army War College, September 1997.

3. Gargan, John J., "To Defend a Nation: An Overview of Downsizing and the U.S. Military*," Management*, No. 3, Vol. 2, 1999.

4. Condit, Kenneth W., *The History of the Joint Chiefs of Staff: The Joint Chiefs of Staff and National Policy, Volume II, 1947-1949*, Wilmington: Glazier, 1979

5. Brasher, Bart. *IMPLOSION: Downsizing the U.S. Military, 1987-2015,* Greenwood Press Westport Connecticut, 2000.

6. Grissmer, David, Richard Eisenman, and William Taylor. *Defense Downsizing: An Evaluation of Alternative Voluntary Separation Payments to Military Personnel*, Santa Monica, CA: Rand 1995.

7. Erwin, Sandra I., "Navy Downsizing Force to Pay for New Ships," *National Defense Magazine,* March 2004.

8. Defense Manpower Documents Report Fiscal Year 2003. http://www.dod.mil/prhome/docs/FY2003.pdf last accessed June 2, 2004.

9. U.S. Navy Active Ship Force Levels, 1917- Present http://www.history.navy.mil/branches/org9-4.htm last accessed June 2, 2004.

10. Skocik, David J., *A Longitudinal Analysis of the Acceptance Rates of the Navy's Voluntary Separation Incentive/ Special Separation Benefit (VSI/SSB) Program,* Master's Thesis, Naval Postgraduate School, Monterey, CA, September 1993.

11. U.S. Code Title 10 http://www4.law.cornell.edu/uscode/10/638.html last accessed June 2, 2004.

12. Warner, John T. *Alternative Military Retirement Systems: Their Effects on Enlisted Retention,* Center for Naval Analyses, CRC 376, Alexandria, VA, September 1979.

13. U.S. Government, Congress, National Defense Authorization Act, 1992.

14. U.S. Military website http://usmilitary.about.com/library/milinfo/blseperate.htm last accessed June 2, 2004.

15. TERA website http://www.dmdc.osd.mil/tera/owa/ShowPage?p=INDEX&p_SID=UBCETSHBVJU last accessed April 25, 2004.

16. Asch, Beth J., and John T. Warner, *An Examination of the Effects of Voluntary Separation Iincentive*, Santa Monica, CA: RAND, 2001.

17. DOD FM Software

18. DOD Actuary http://www.dod.mil/actuary/statbook02.pdf last accessed June 2, 2004.

19. Warner, John T., and Saul Pleeter, "The Personal Discount Rate: Evidence from Military Downsizing Programs" *The American Economic Review,* March 2001.

20. OMB Circular No. A-94 http://www.whitehouse.gov/omb/circulars/a094/a94_appx-c.html last accessed June 2, 2004.

INITIAL DISTRIBUTION LIST

1. Defense Technical Information Center
   Ft. Belvoir, VA

2. Dudley Knox Library
   Naval Postgraduate School
   Monterey, CA

3. Professor William Gates
   Mail Code: GB/Gt
   Graduate School of Business and Public Policy
   Monterey, CA

4. Professor John E. Mutty
   Mail Code: GB/Mu
   Graduate School of Business and Public Policy
   Monterey, CA

5. LT Damian Viltz
   Port Arthur, TX

6. Steve Cylke
   CNO, N13T
   Navy Annex
   Washington, D.C.

7. Ralph E. Goodrich
   CNO, N1H
   Navy Annex
   Washington, D.C.